

STRICTLY CONFIDENTIAL (FR) CLASS II-FOMC

*Materials for
Staff Presentation to the
Federal Open Market Committee*

July 16, 1984

Principal Assumptions

Monetary Policy

- Growth of M2 of around 7½ percent during 1984 and 1985.
- Growth of M1 of 6½ percent in 1984 and 5½ to 6 percent in 1985.

Fiscal Policy

- Deficit-reducing actions of around \$25 billion for FY 1985.

Other

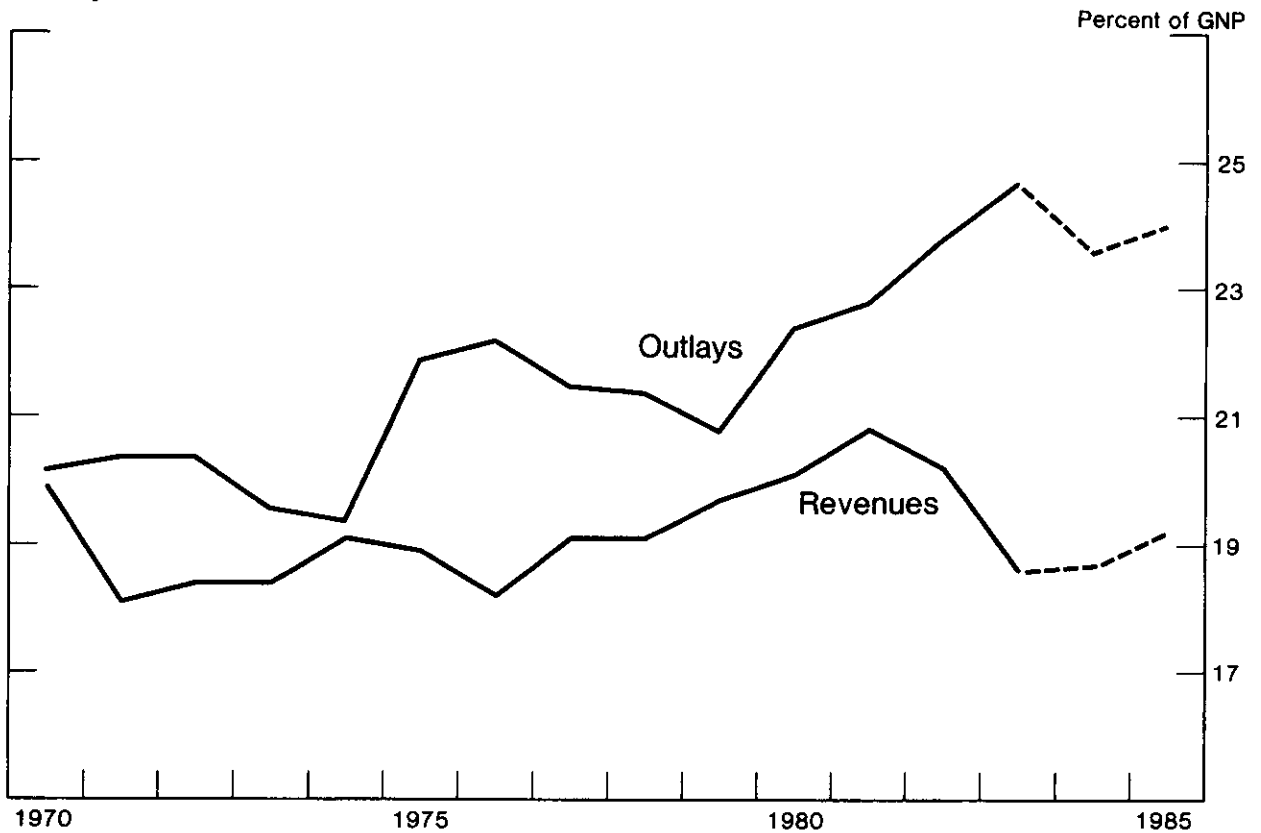
- Foreign exchange value of the dollar declines 15 percent.

Federal Budget

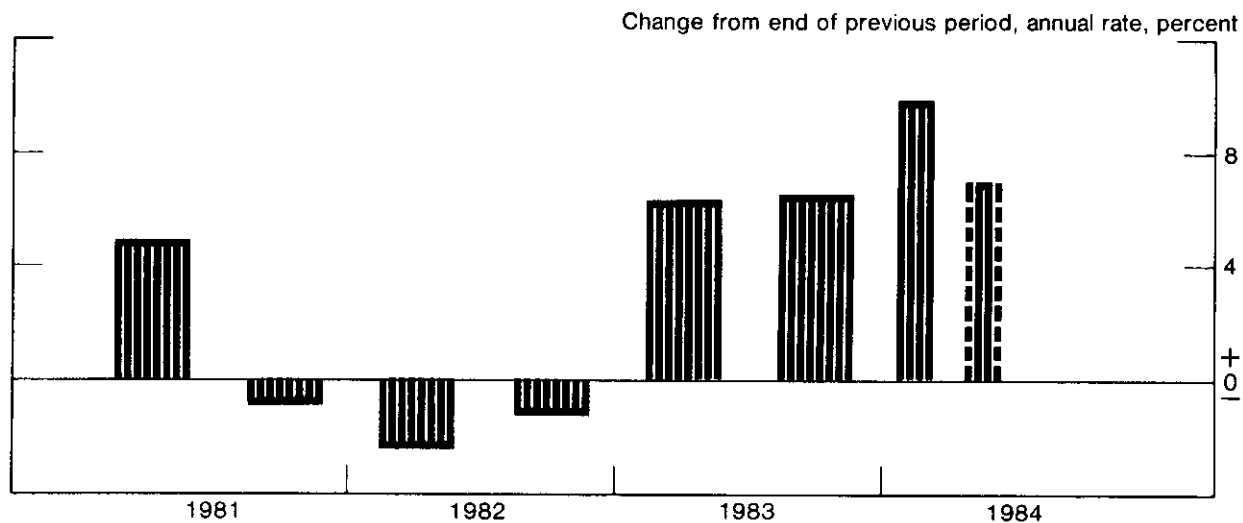
Fiscal Years, Unified Budget Basis, Billions of Dollars

	1983	1984	1985
	Actual	Staff	Staff
Outlays	796	847	938
Receipts	601	671	749
Deficit	195	176	189
Structural Deficit	93	131	172

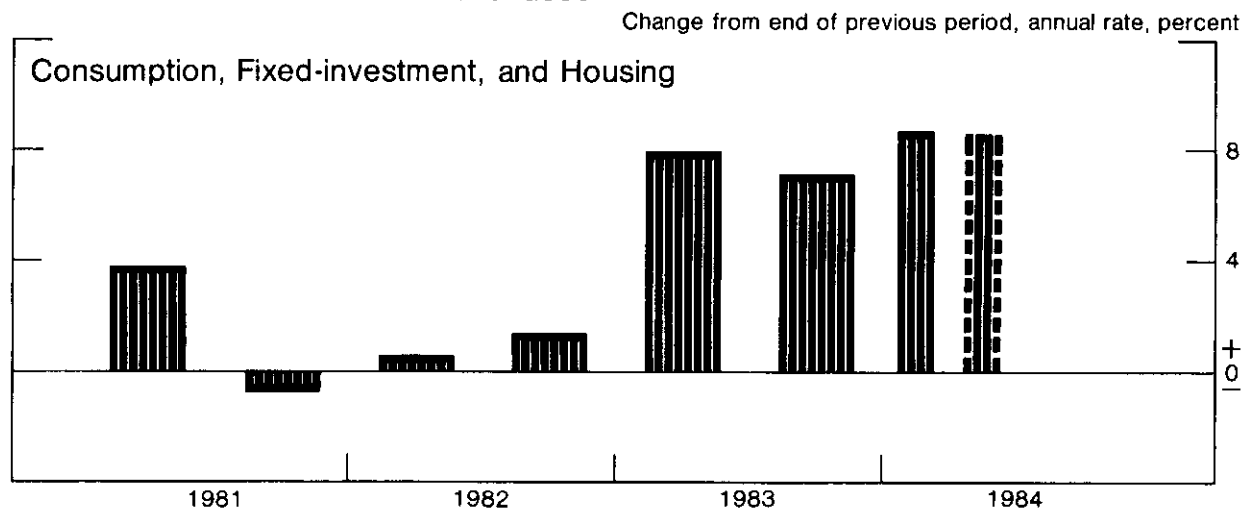
Outlays and Revenues



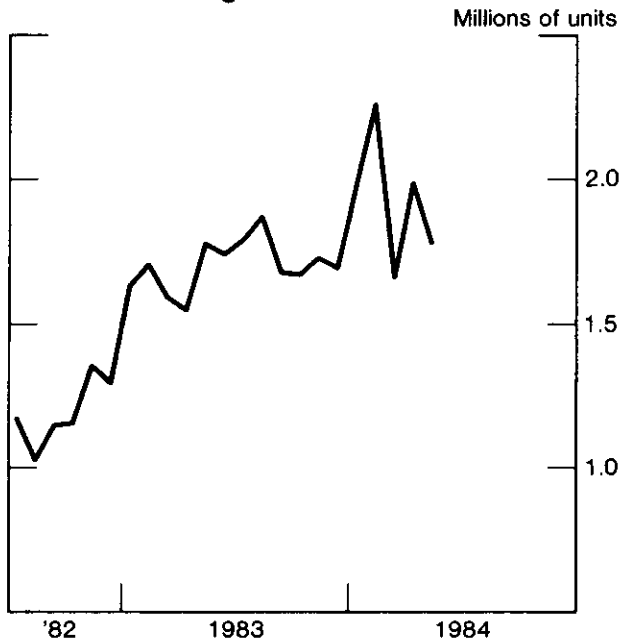
Real GNP



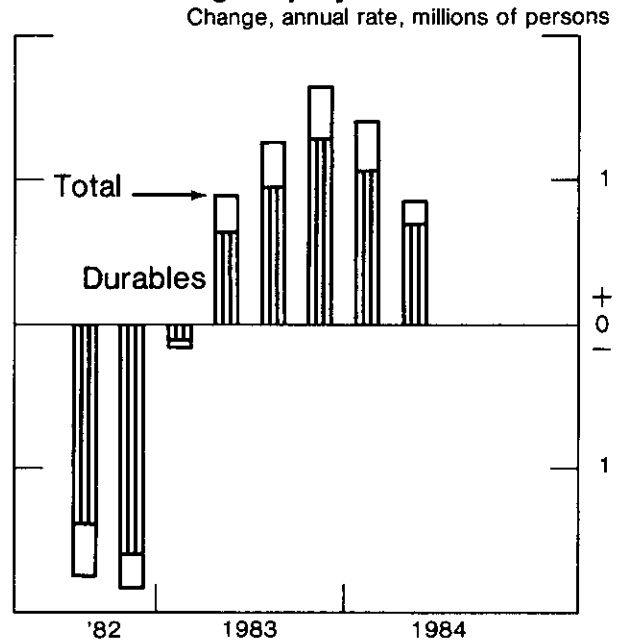
Real Private Domestic Final Purchases



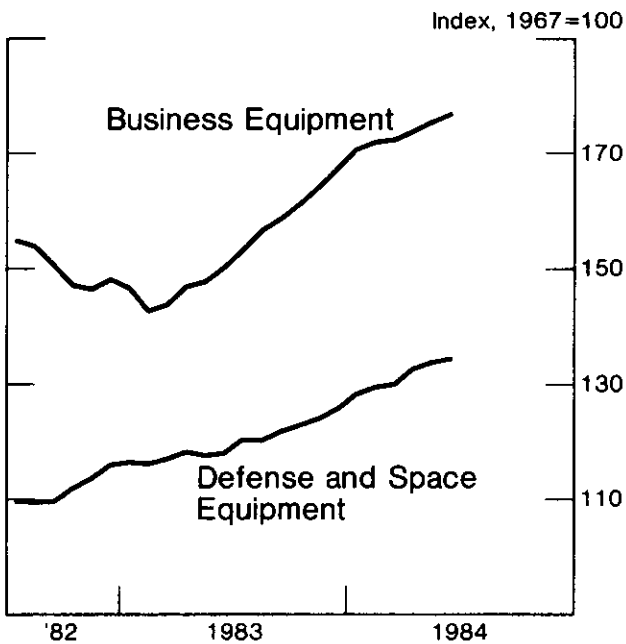
Private Housing Starts



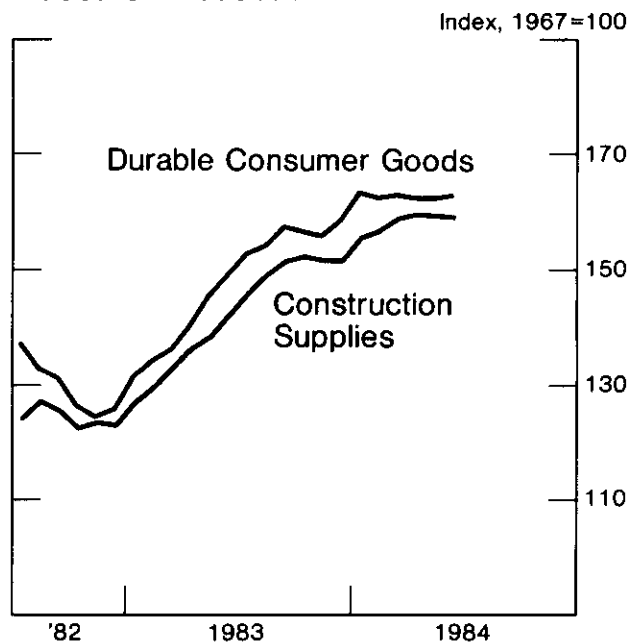
Manufacturing Employment



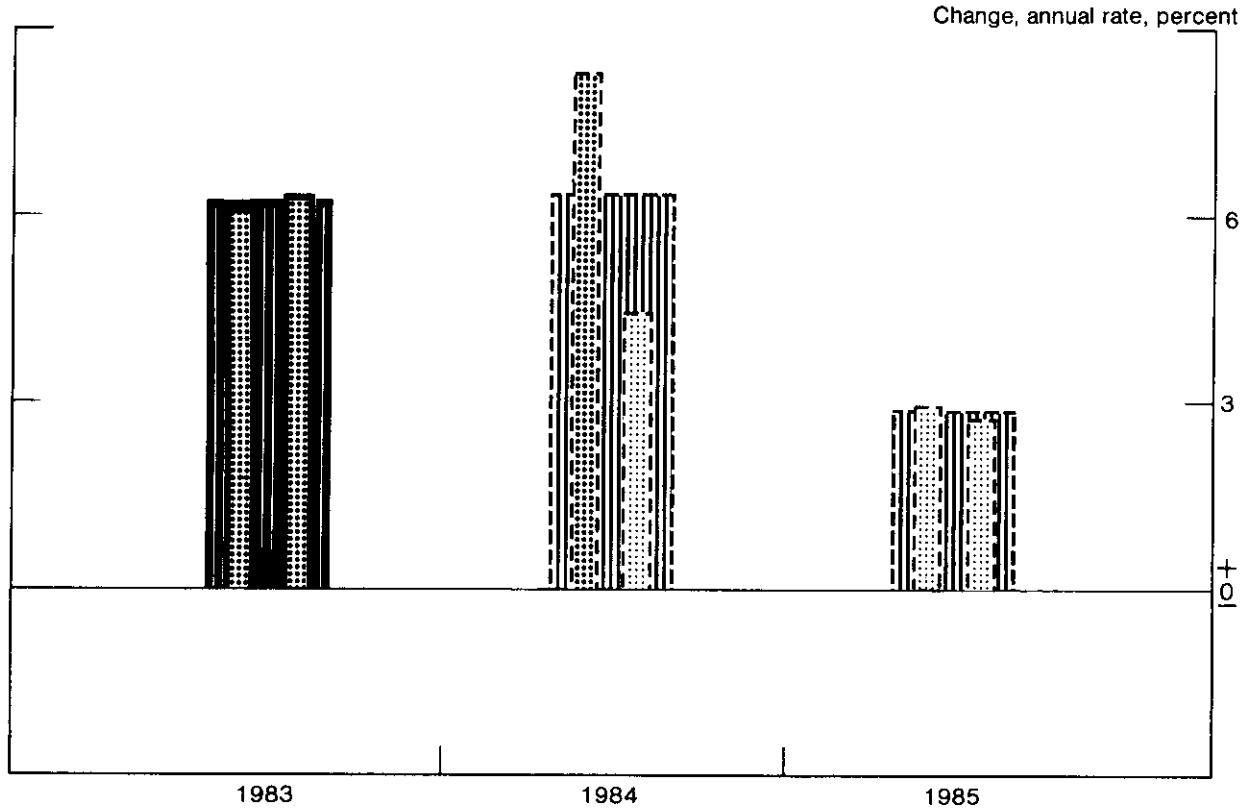
Industrial Production



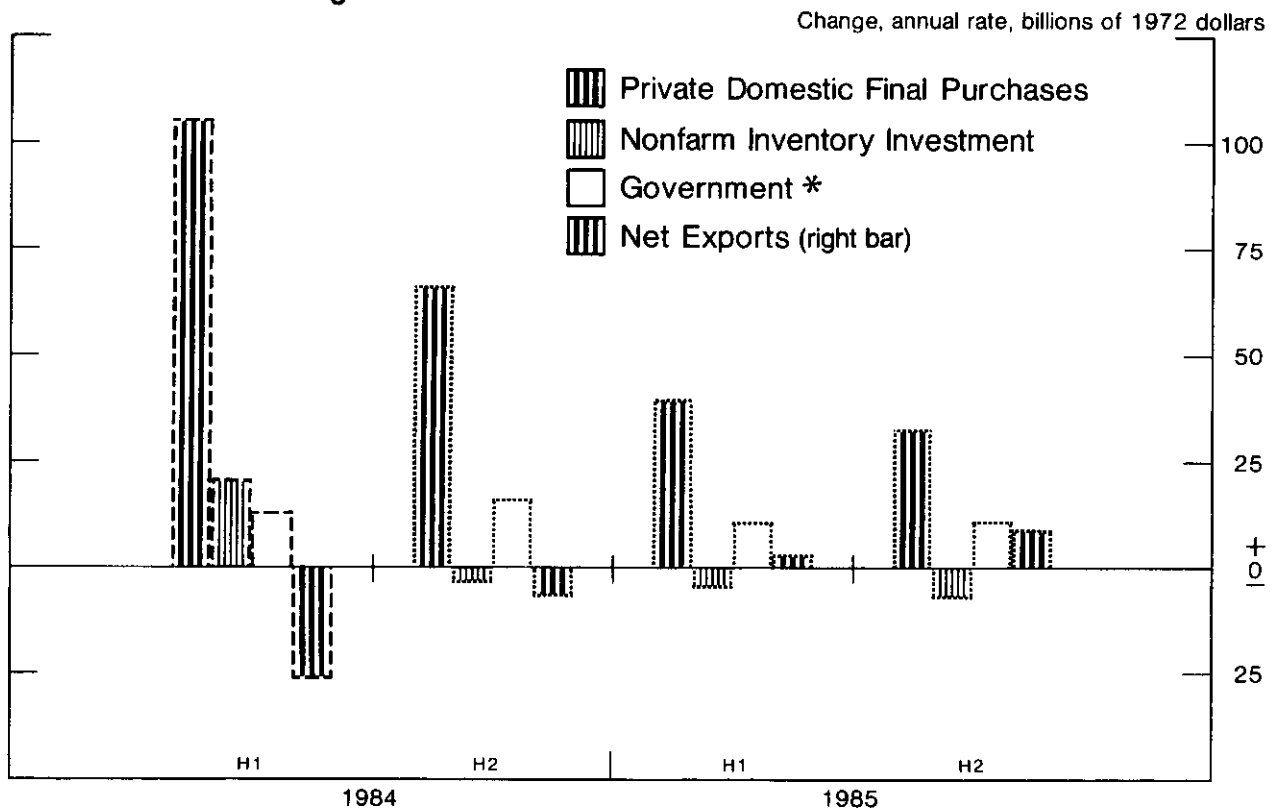
Industrial Production



Real GNP

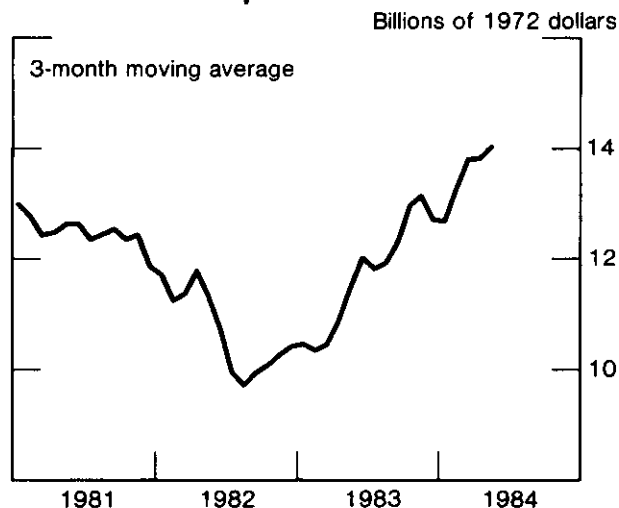


Contribution to Change in Real GNP

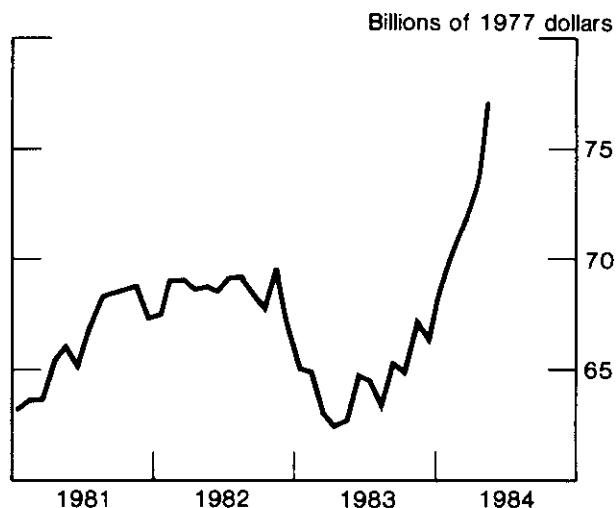


* Excluding CCC

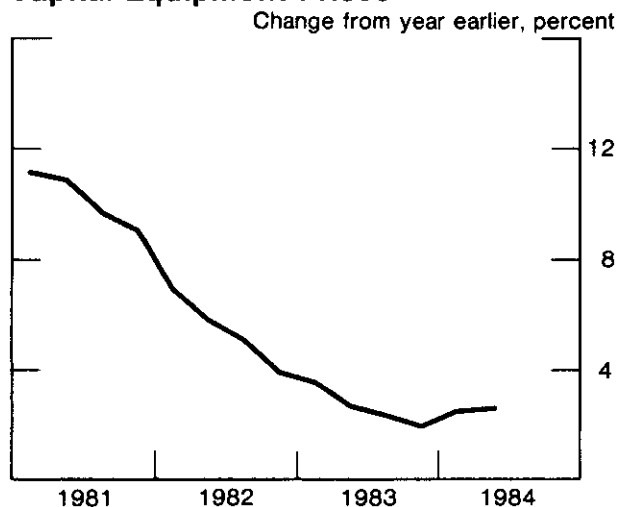
Real New Orders for Nondefense Capital Goods



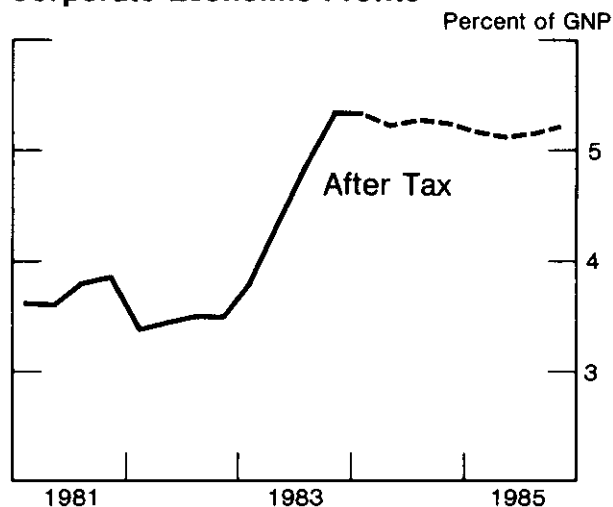
Real Value of Nonresidential Construction Put in Place



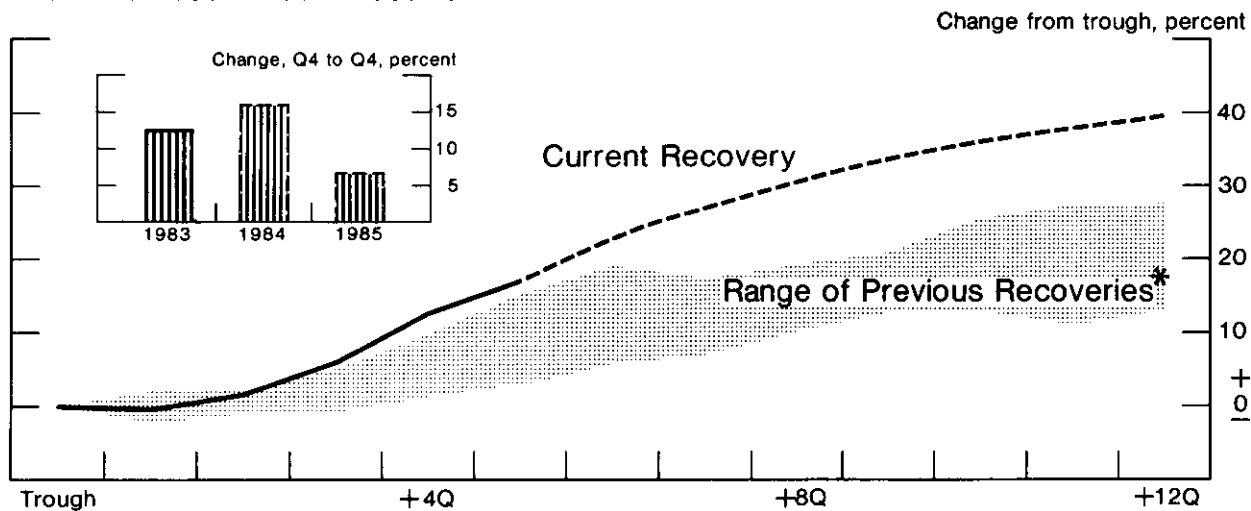
Capital Equipment Prices



Corporate Economic Profits

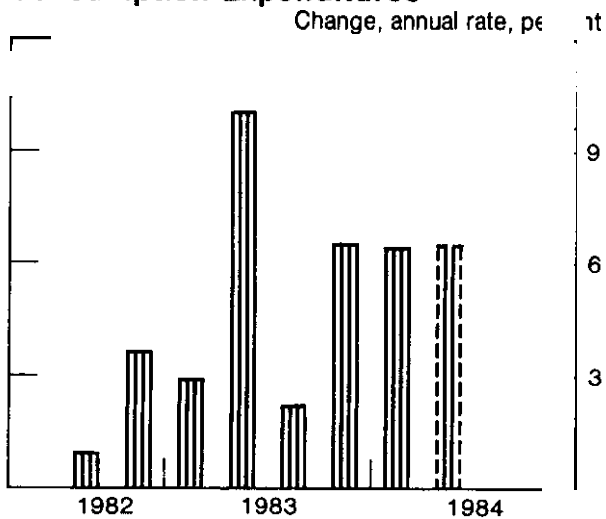


Real Business Fixed Investment

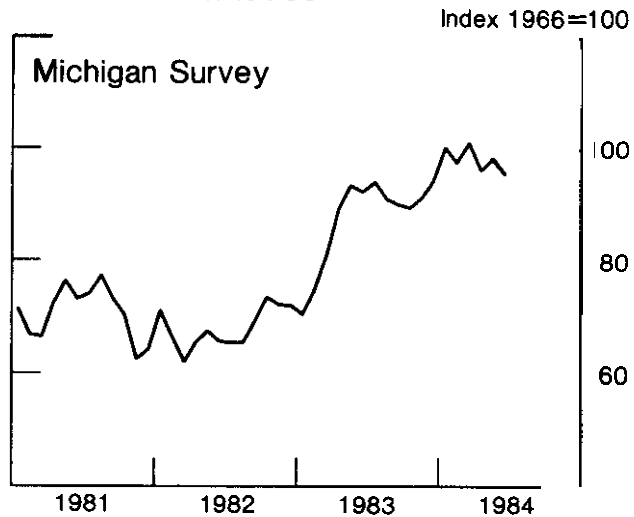


*Excludes recoveries following troughs in 1949 and 1980.

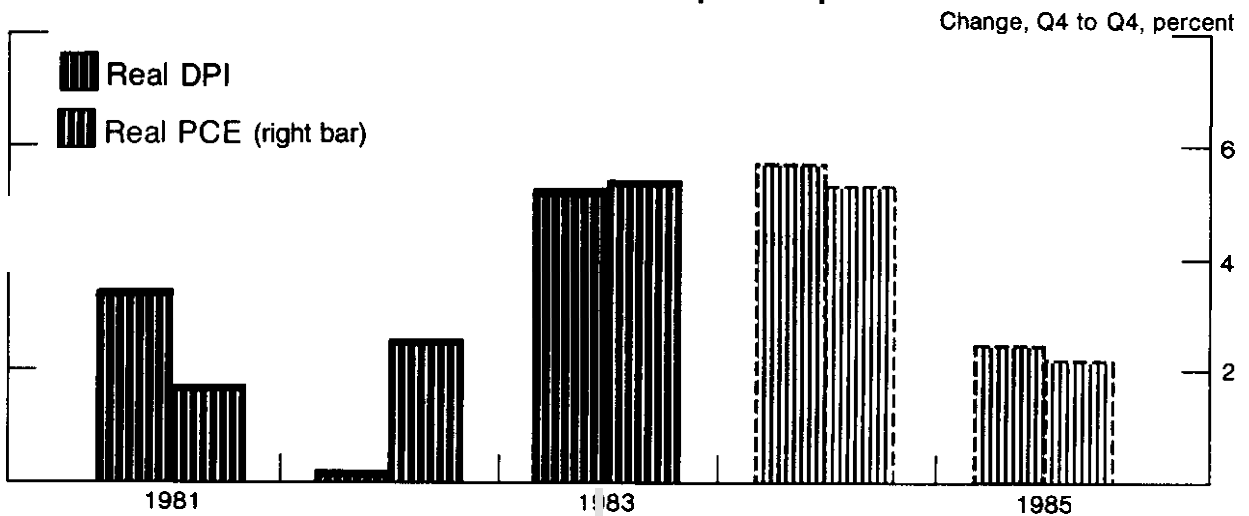
Real Personal Consumption Expenditures



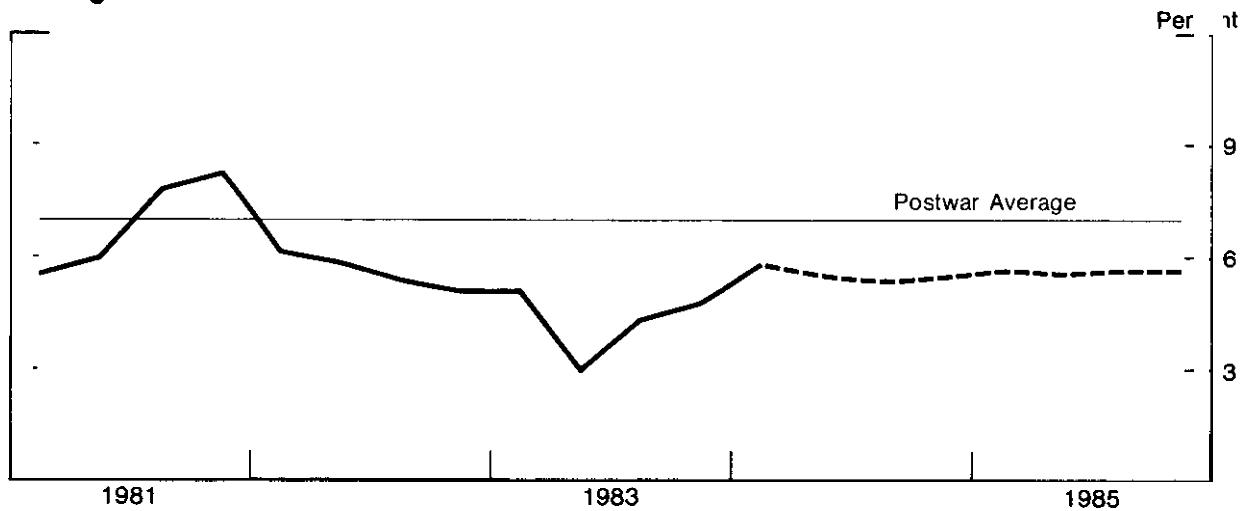
Consumer Attitudes



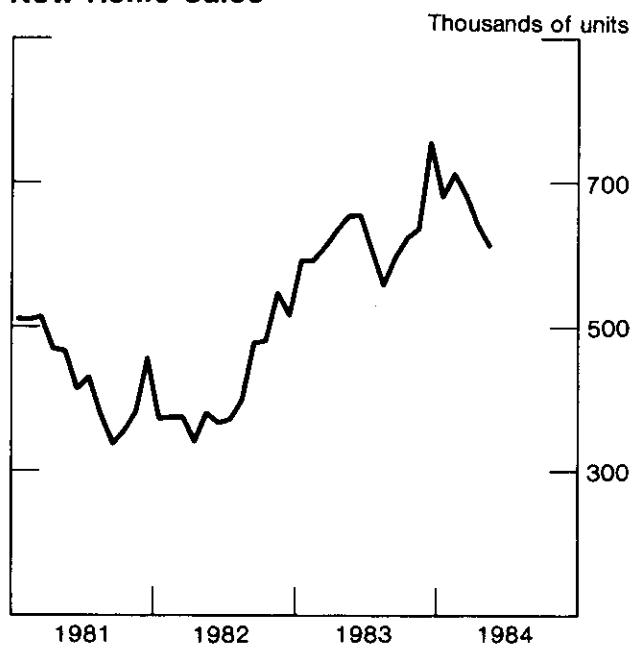
Real Disposable Personal Income and Consumption Expenditures



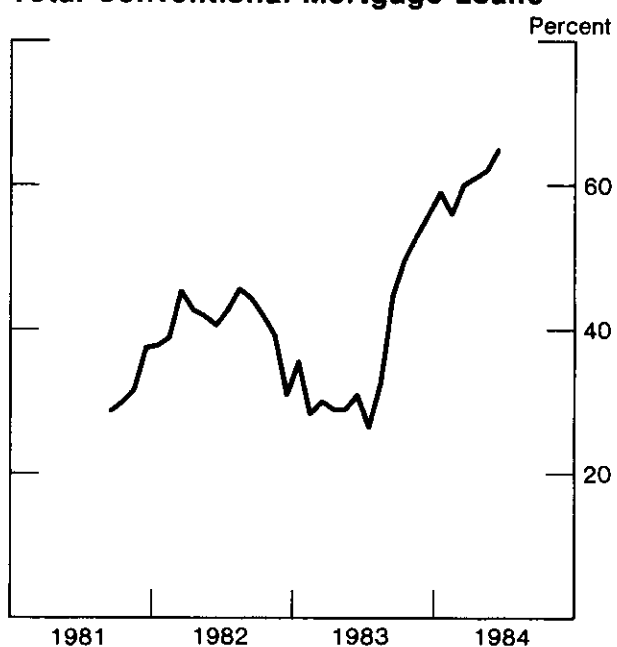
Saving Rate



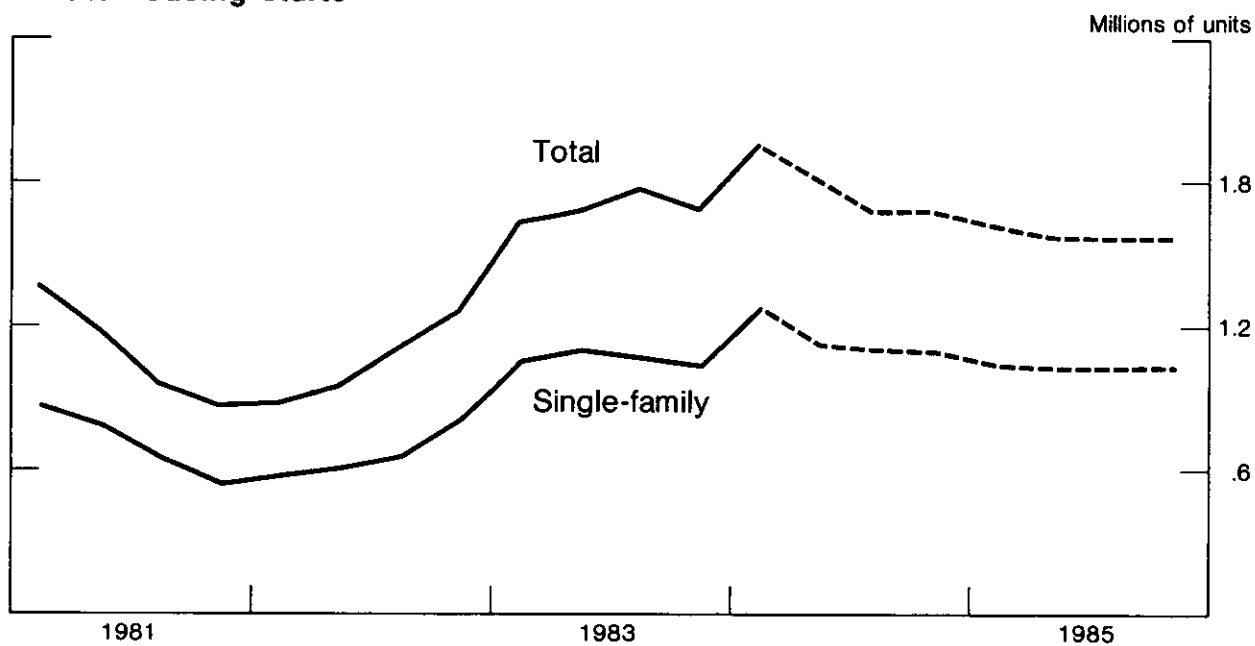
New Home Sales



**ARMs as a Percent of
Total Conventional Mortgage Loans**



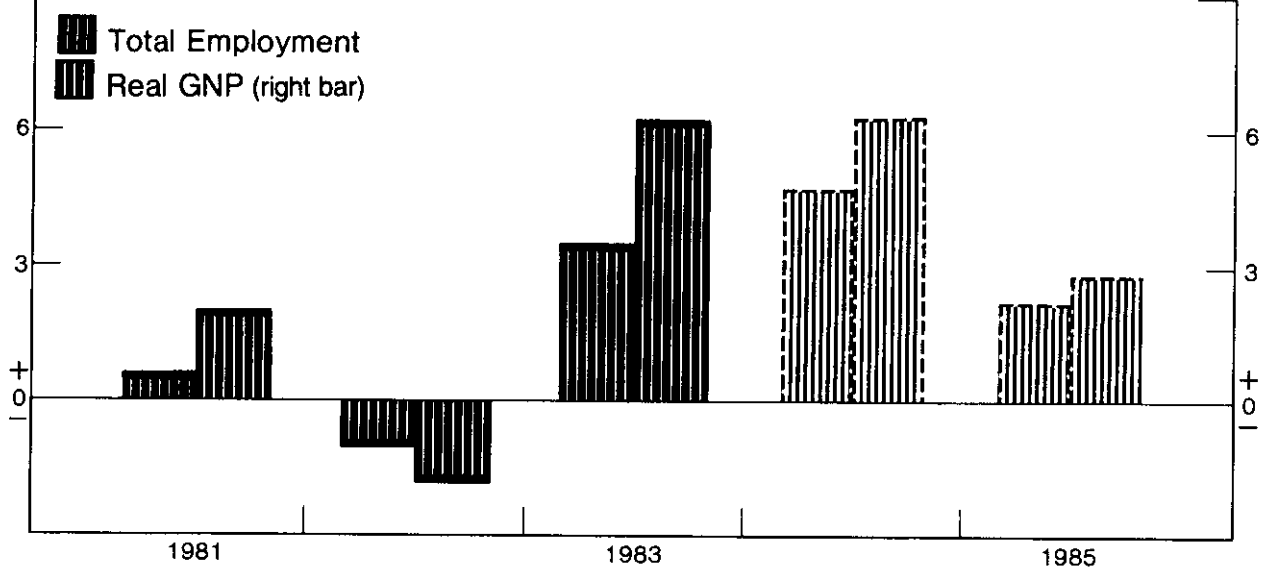
Private Housing Starts



Total Employment and Real GNP

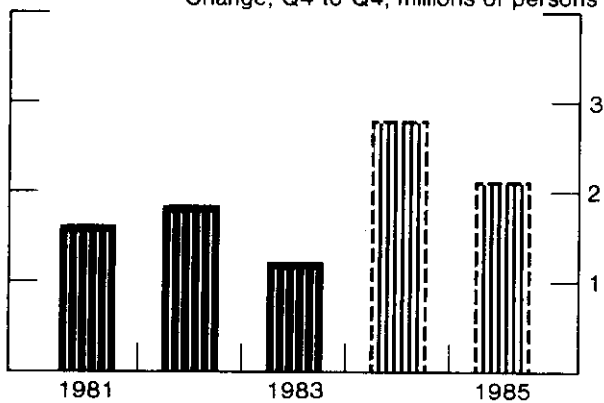
Change, Q4 to Q4, millions of persons

Change, Q4 to Q4, percent



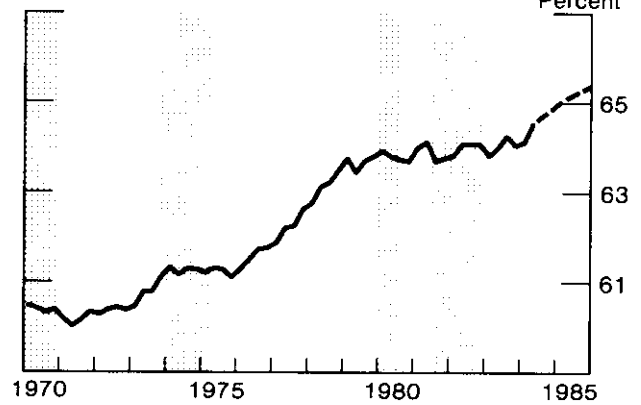
Civilian Labor Force

Change, Q4 to Q4, millions of persons



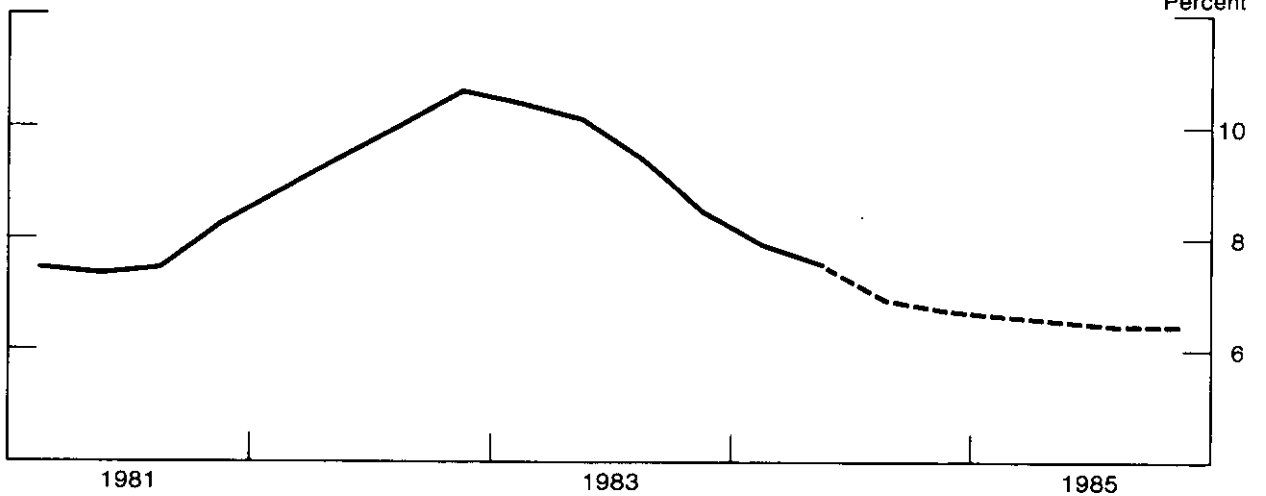
Participation Rate

Percent



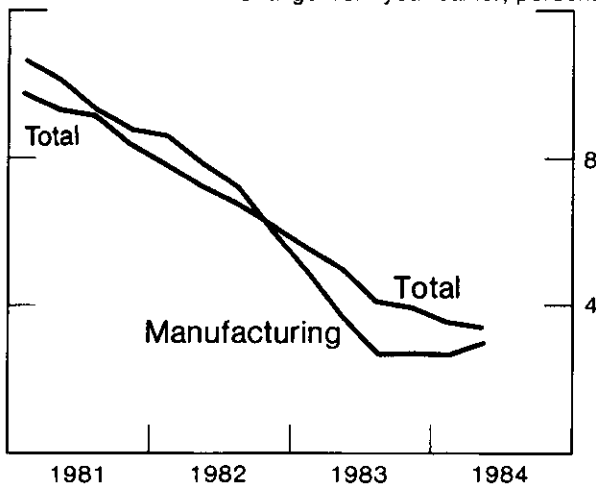
Unemployment Rate

Percent



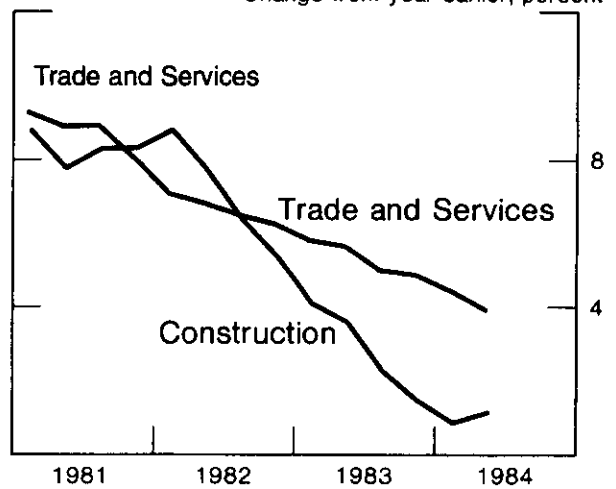
Average Hourly Earnings Index

Change from year earlier, percent



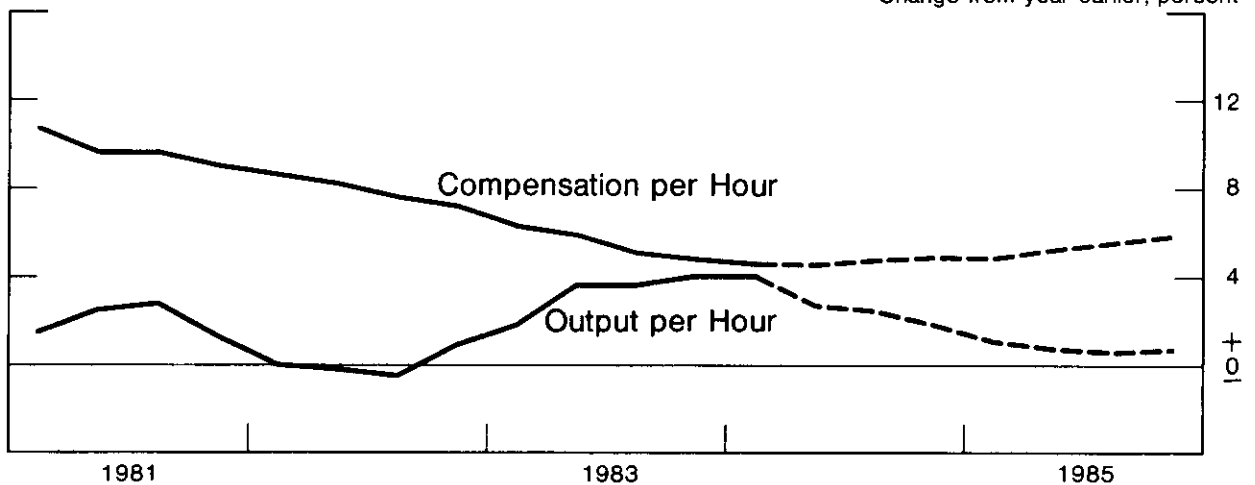
Average Hourly Earnings Index

Change from year earlier, percent



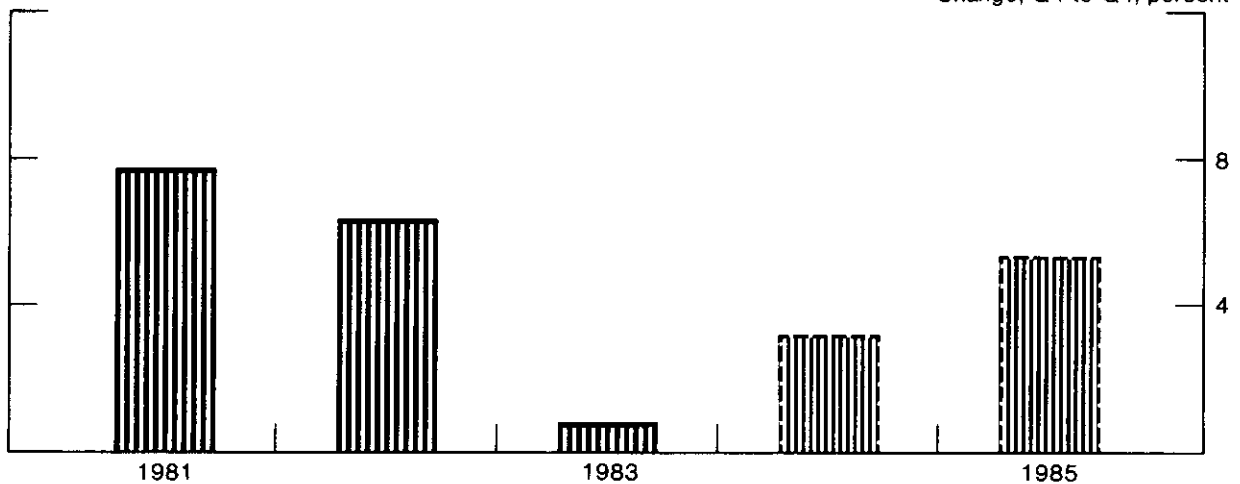
Compensation and Output per Hour

Change from year earlier, percent

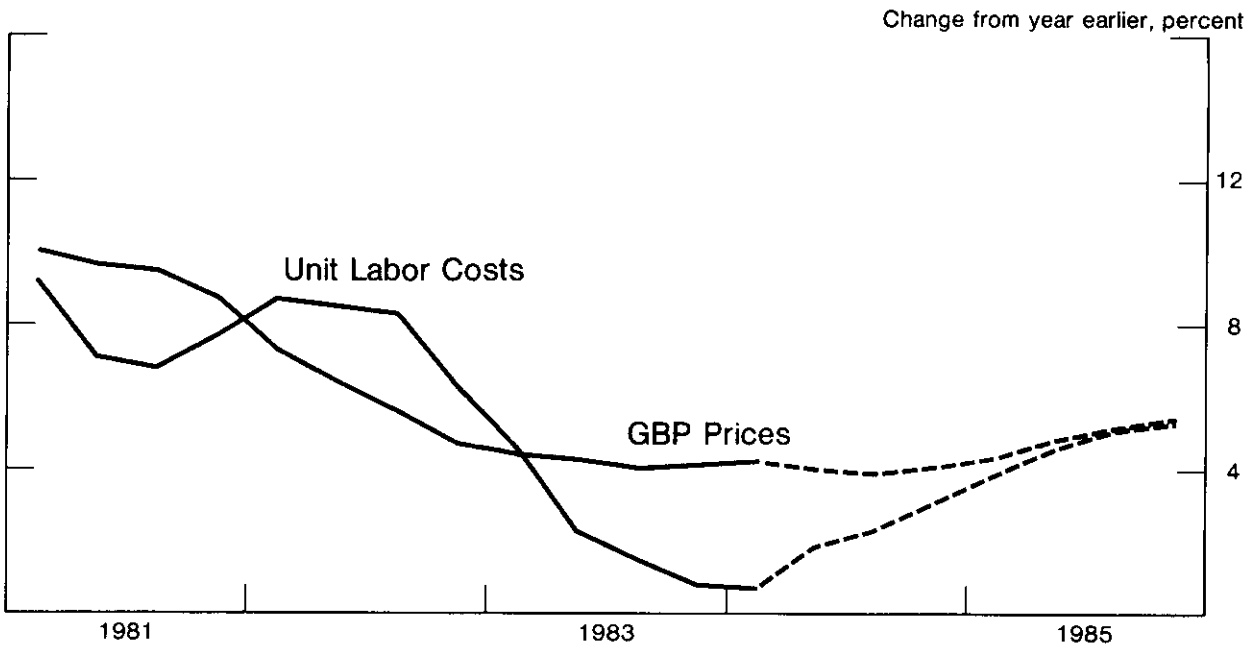


Unit Labor Costs

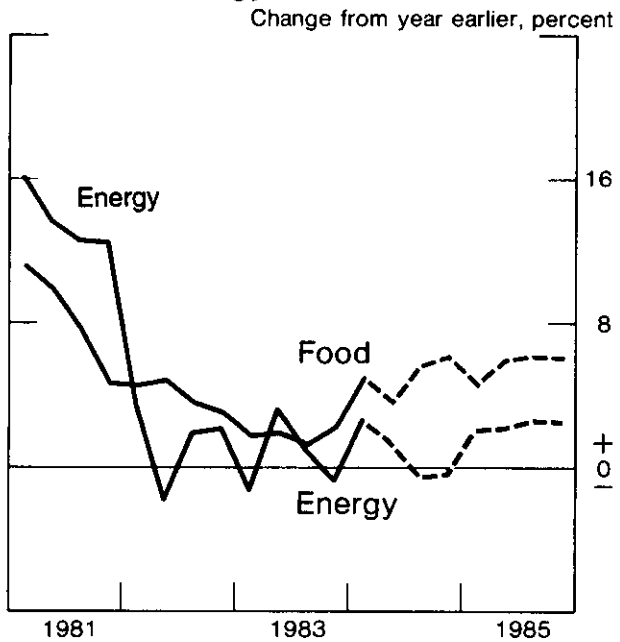
Change, Q4 to Q4, percent



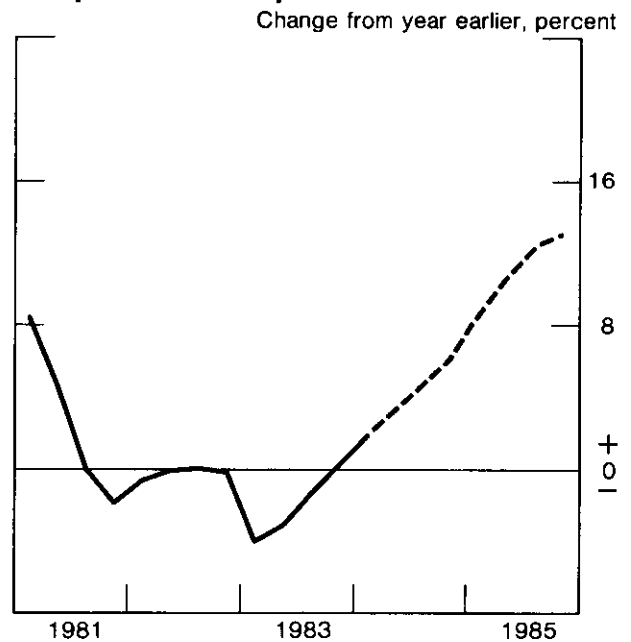
Gross Business Product Prices and Unit Labor Costs



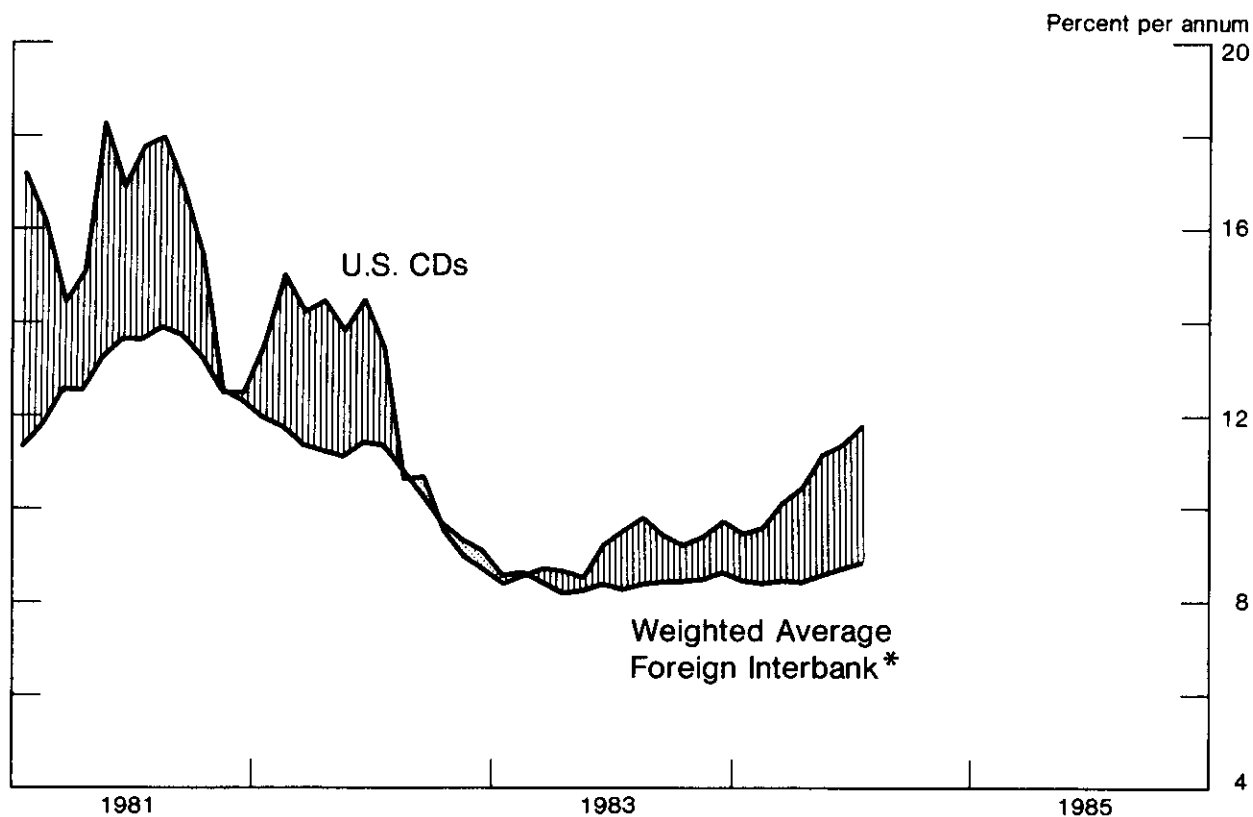
Food and Energy Prices



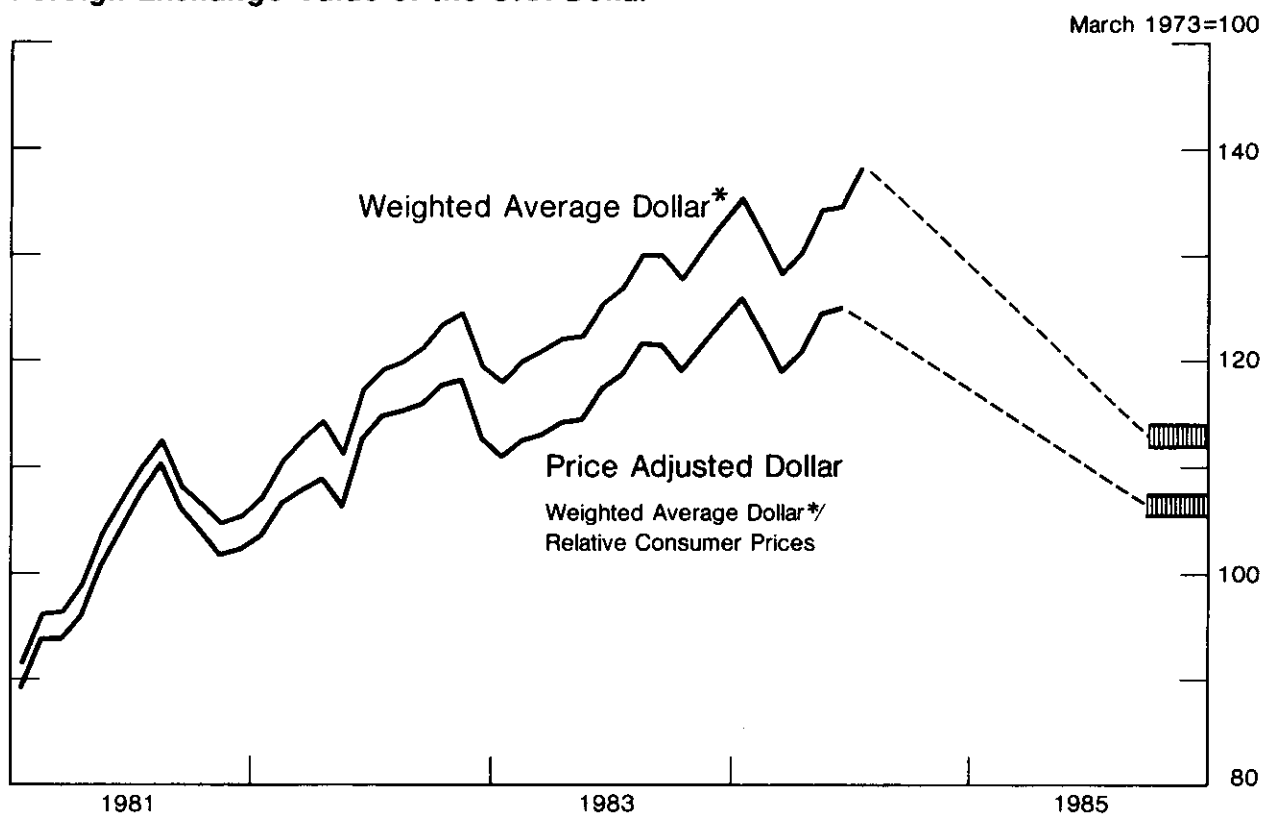
Nonpetroleum Import Prices



Short-term Interest Rates



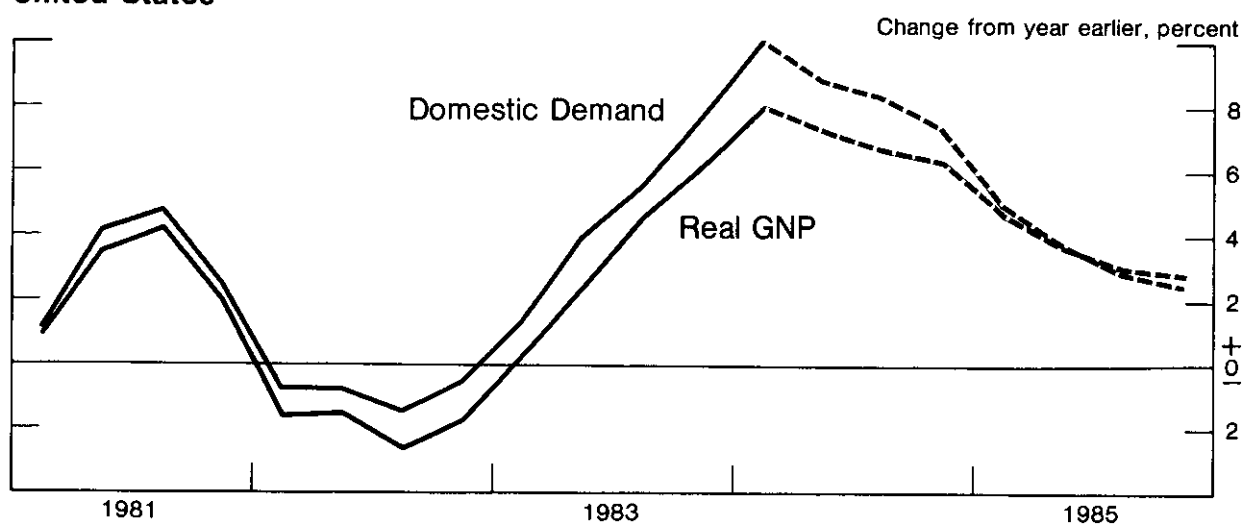
Foreign Exchange Value of the U.S. Dollar



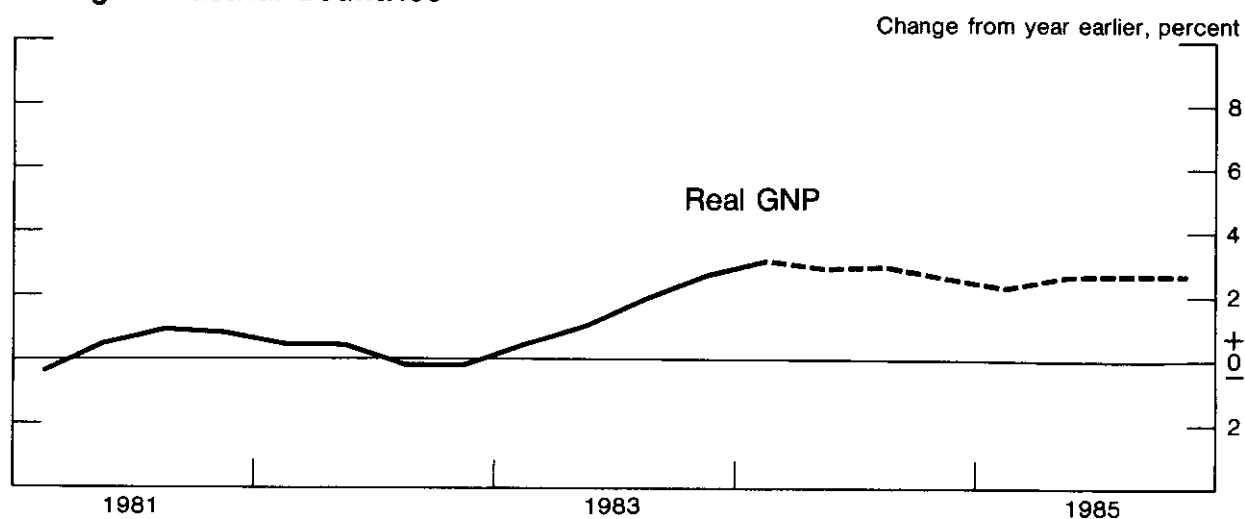
* Weighted average against or of foreign G-10 countries.

Economic Activity

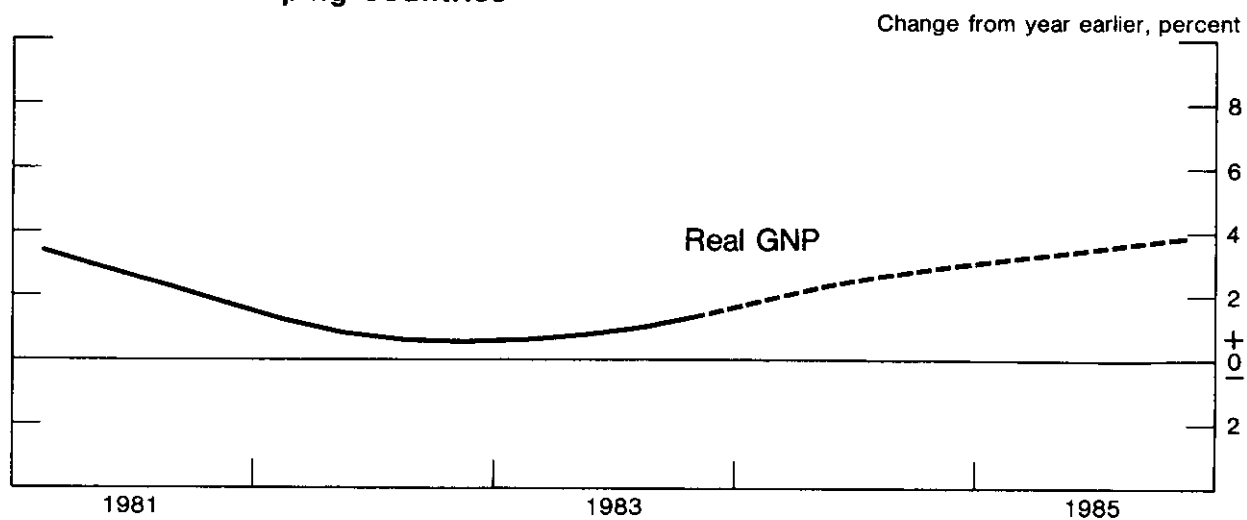
United States



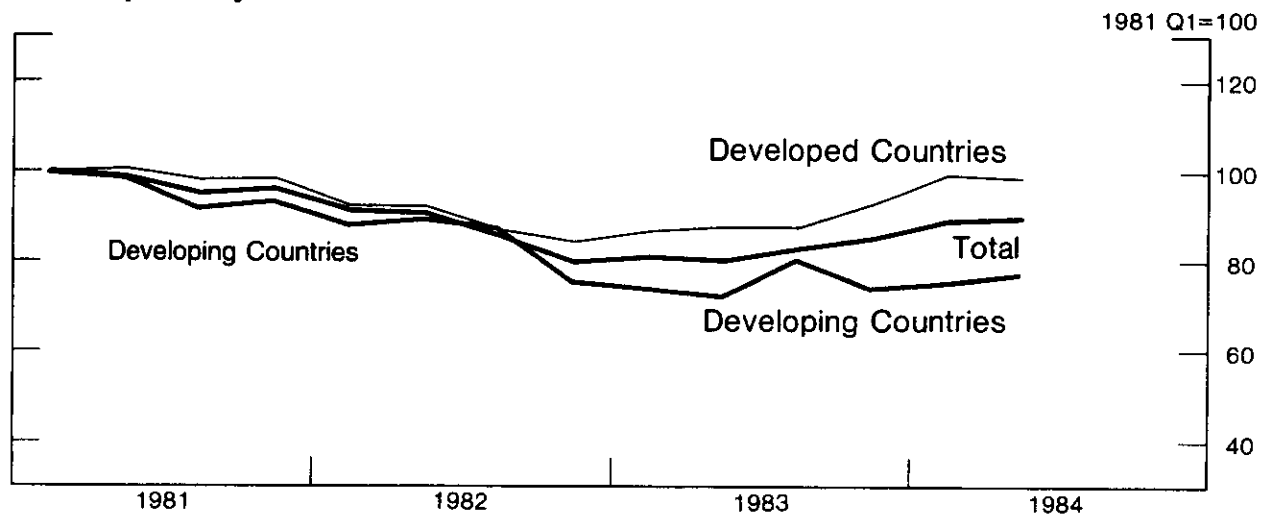
Foreign Industrial Countries



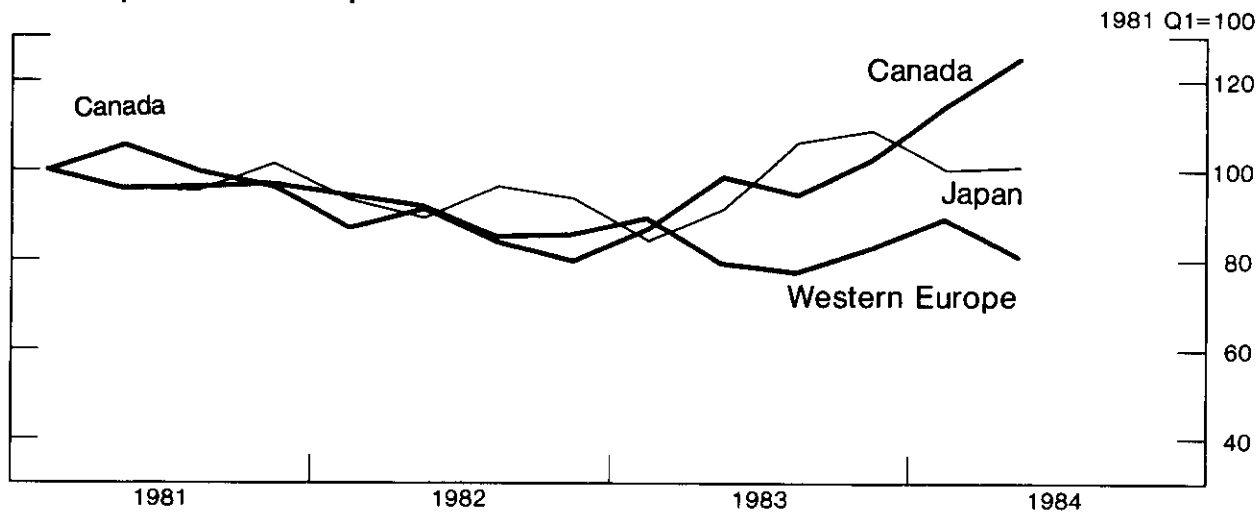
Non-OPEC Developing Countries



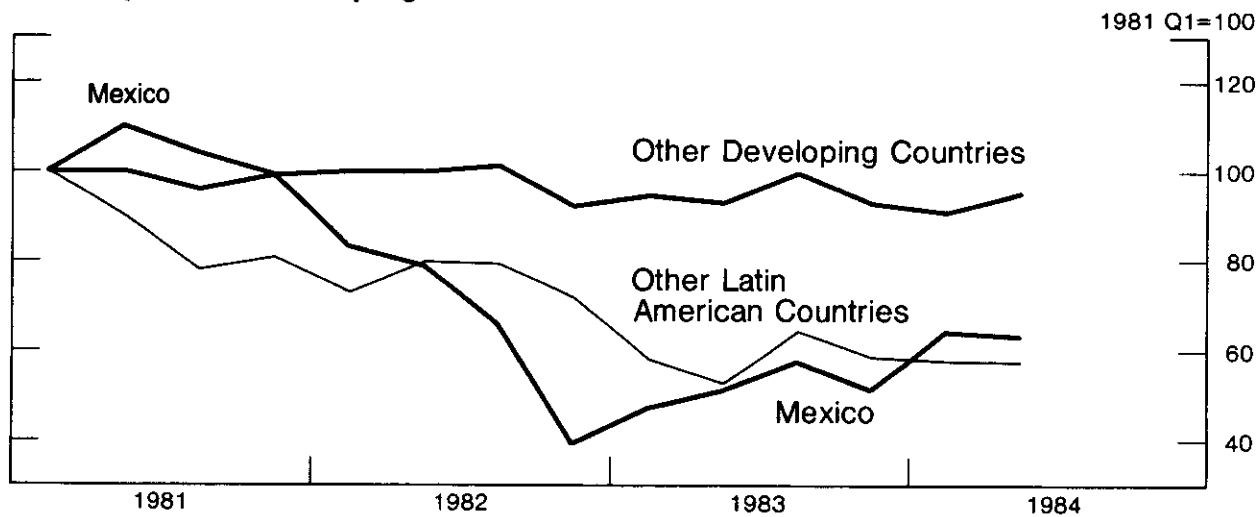
U.S. Exports By Area



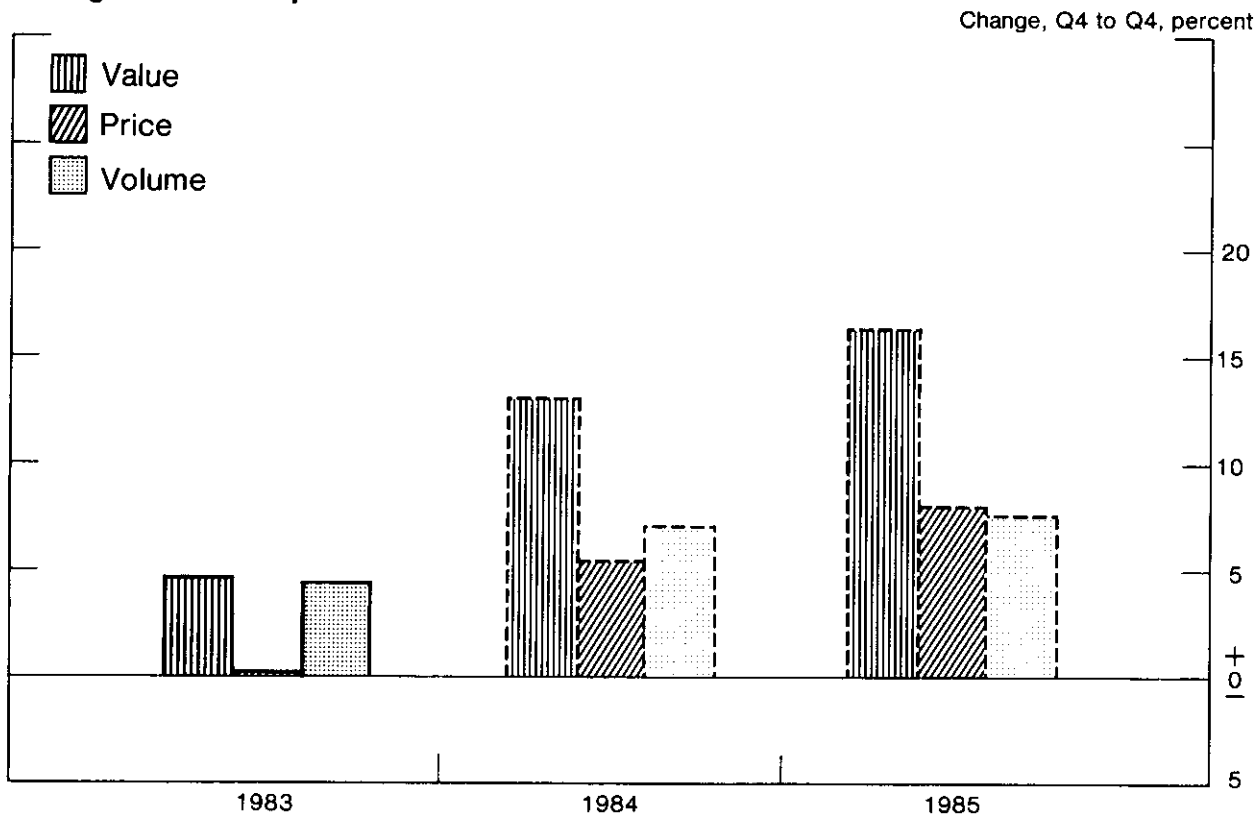
U.S. Exports to Developed Countries



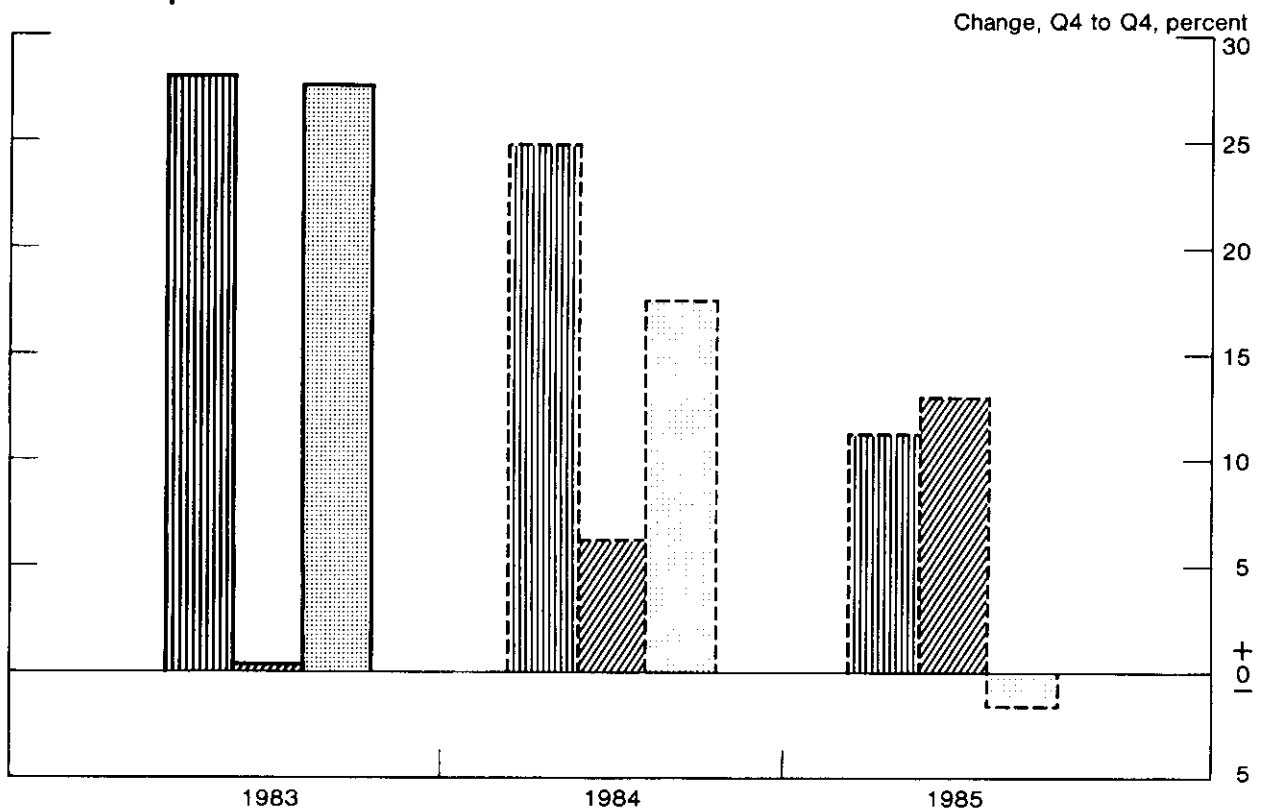
U.S. Exports to Developing Countries



Nonagricultural Export Growth

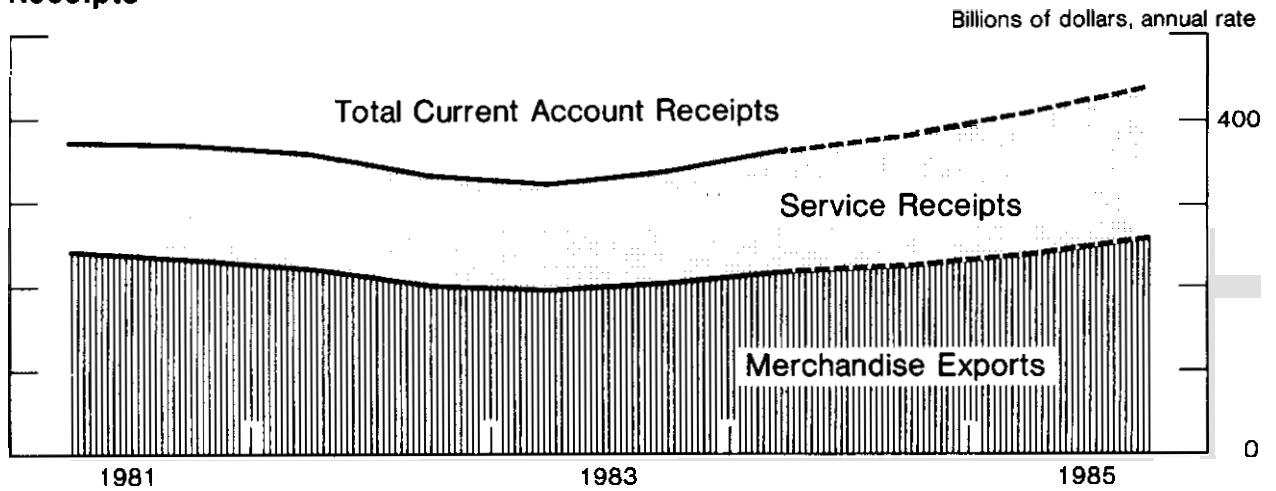


Non-oil Import Growth

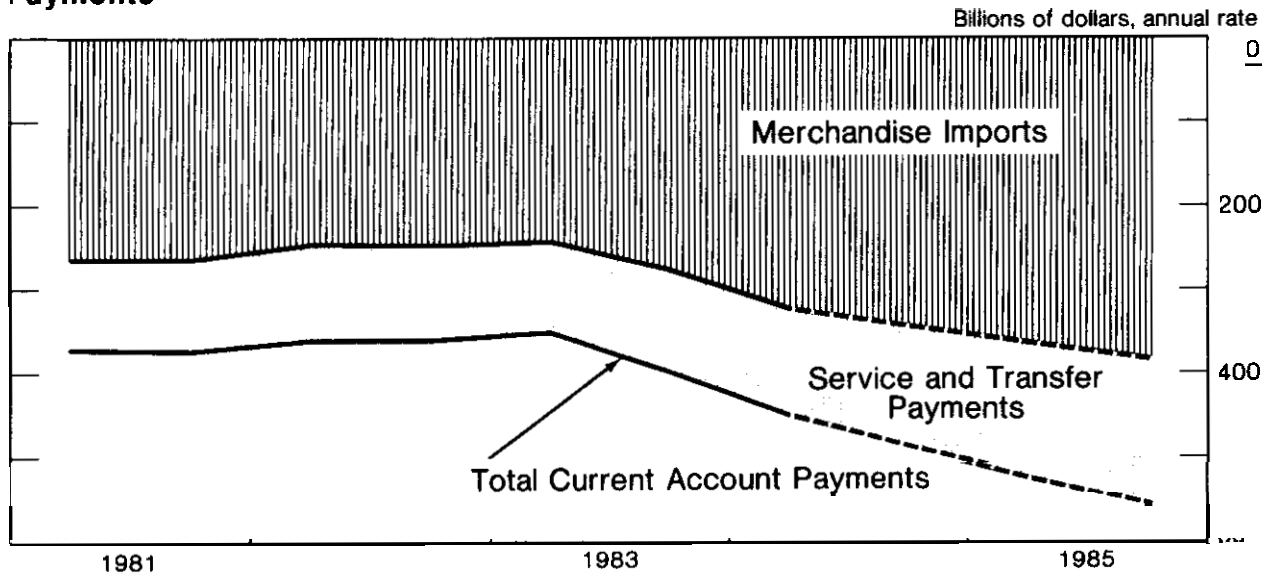


U.S. Current Account Transactions

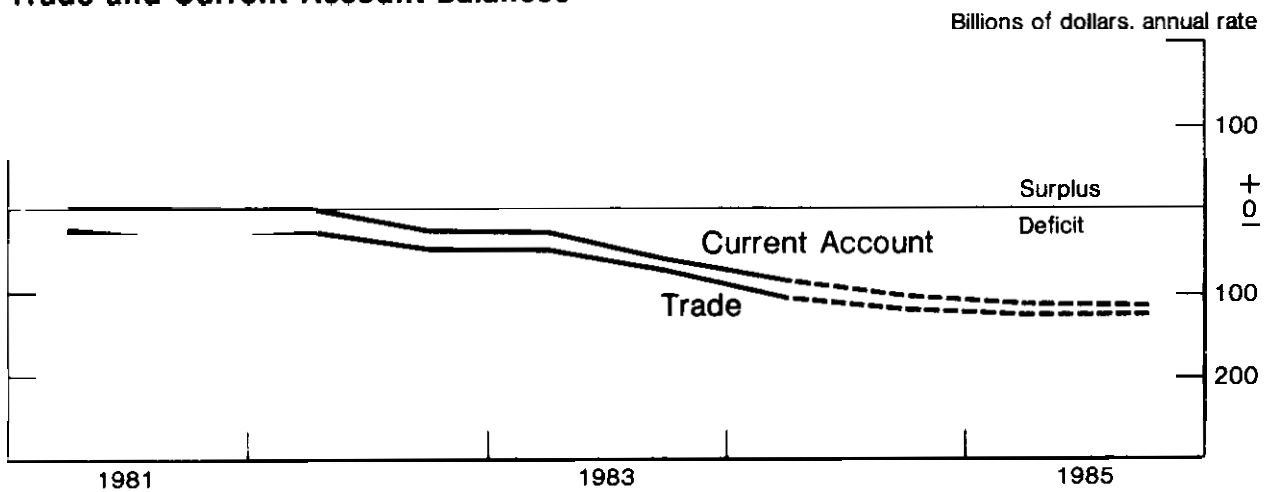
Receipts



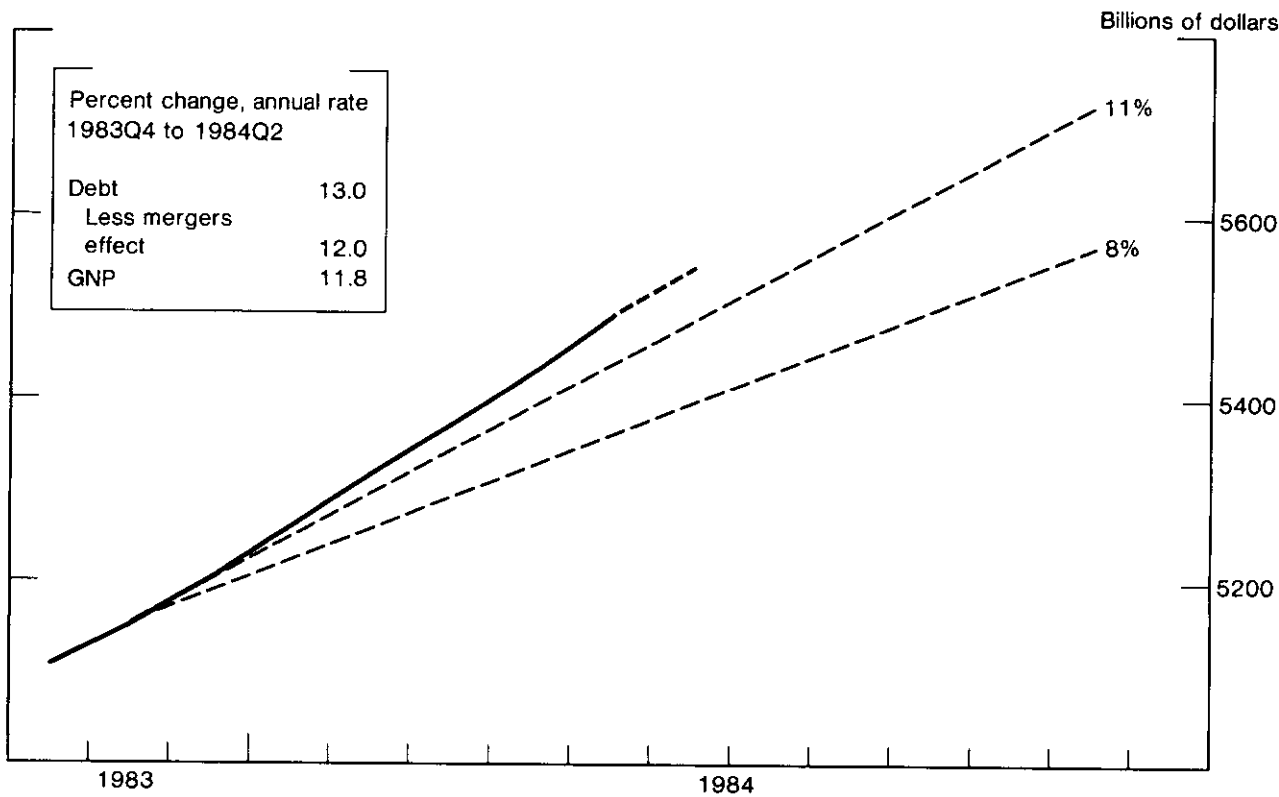
Payments



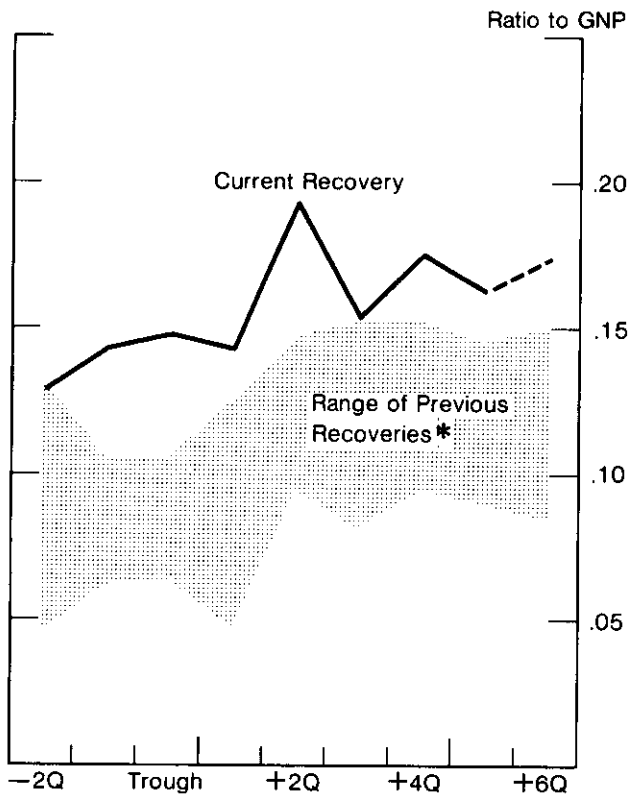
Trade and Current Account Balances



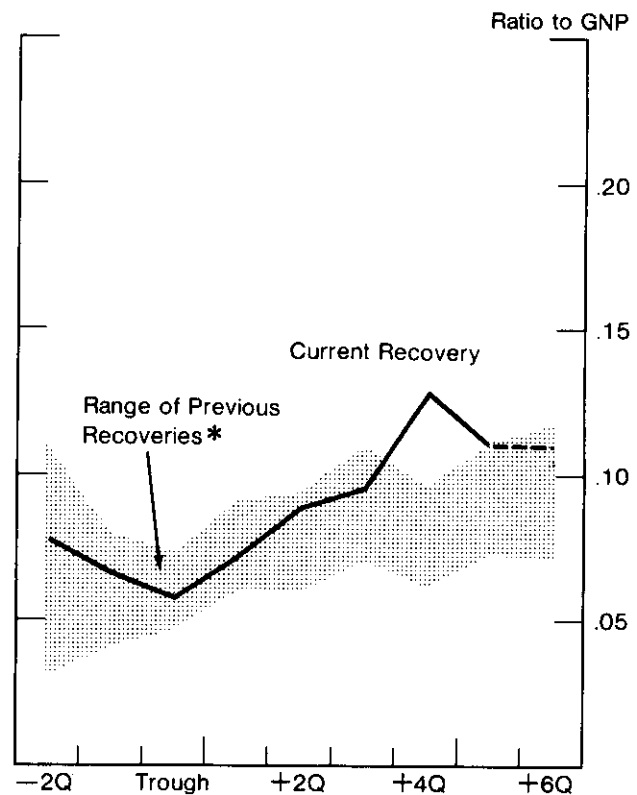
Domestic Nonfinancial Debt



Funds Raised by Domestic Nonfinancial Sectors



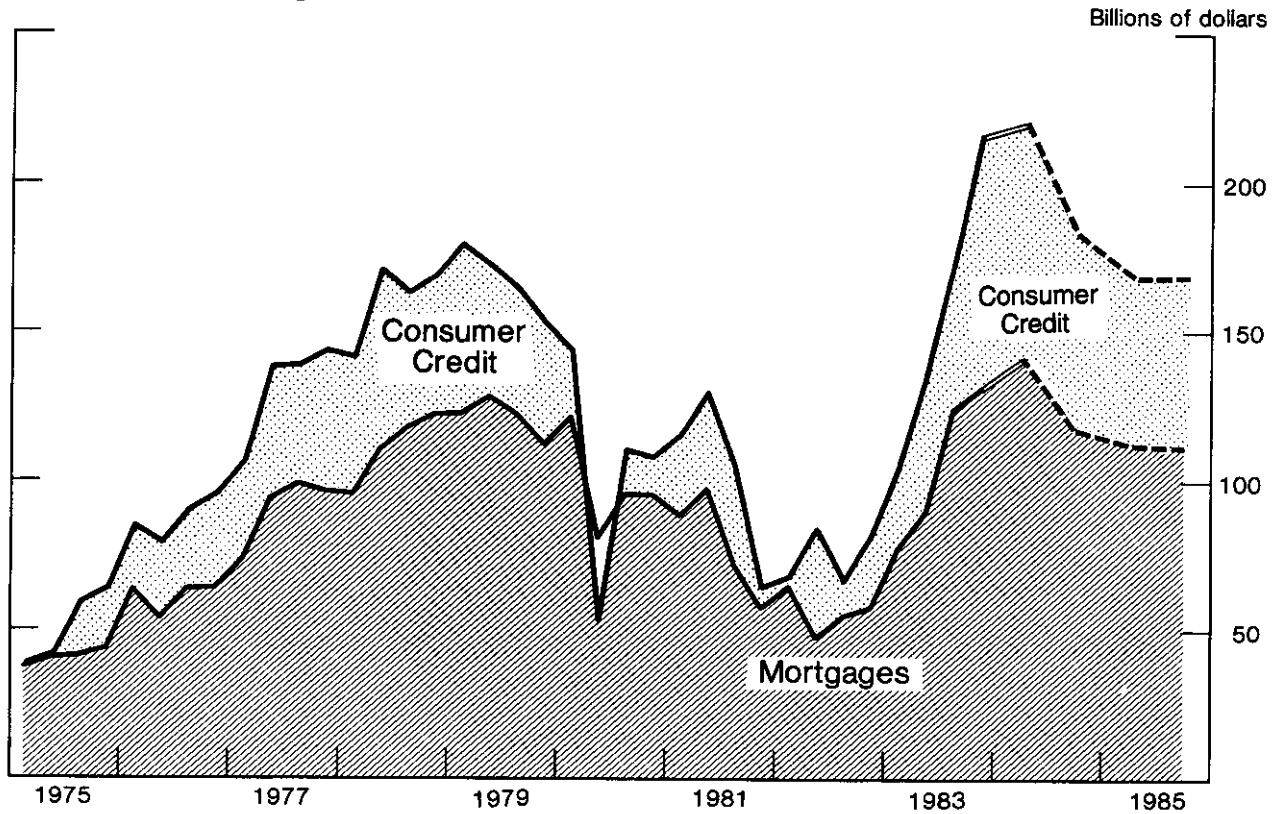
Funds Raised by Businesses and Households



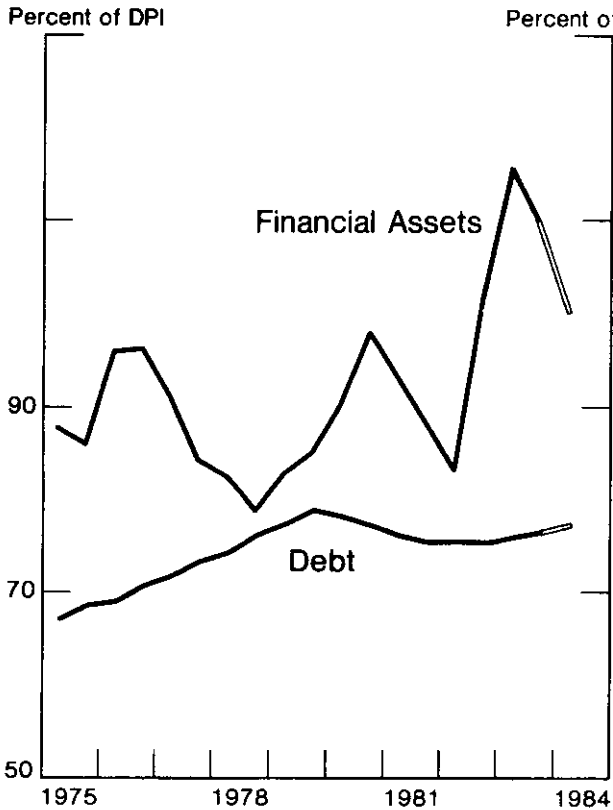
*Excludes recoveries following troughs in 1949 and 1980.

Households

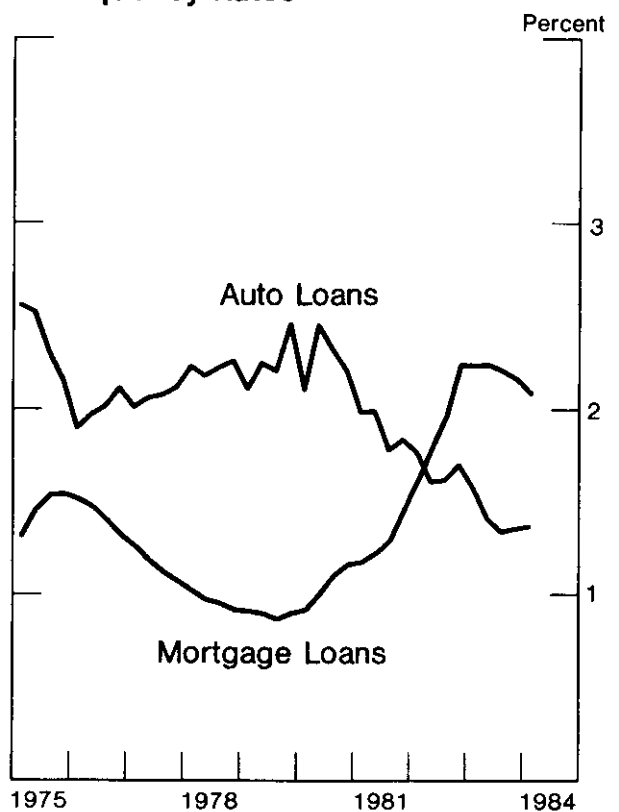
Selected Borrowing



Financial Assets and Debt

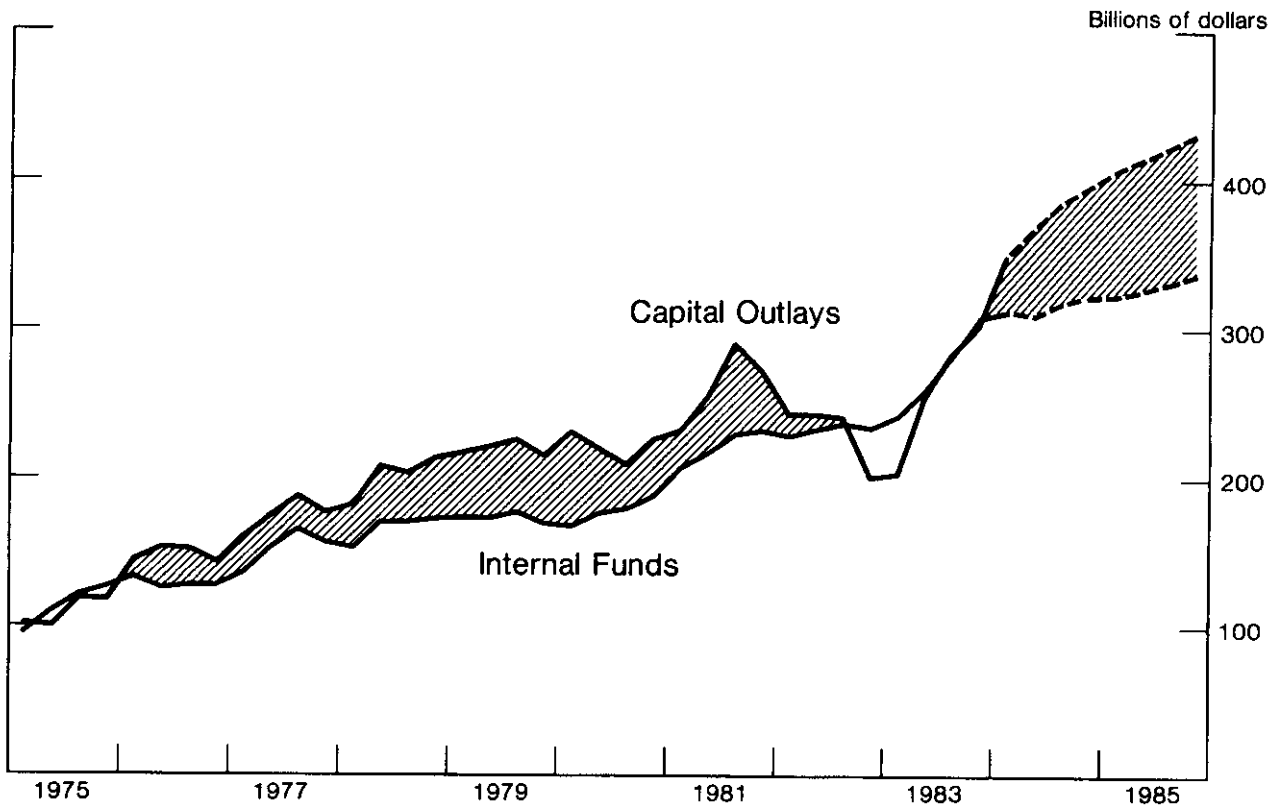


Delinquency Rates

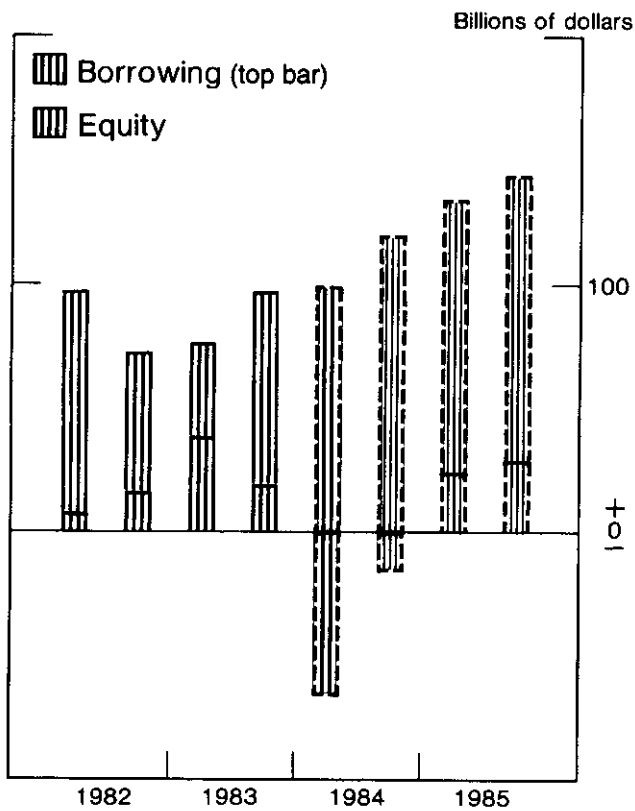


Nonfinancial Corporations

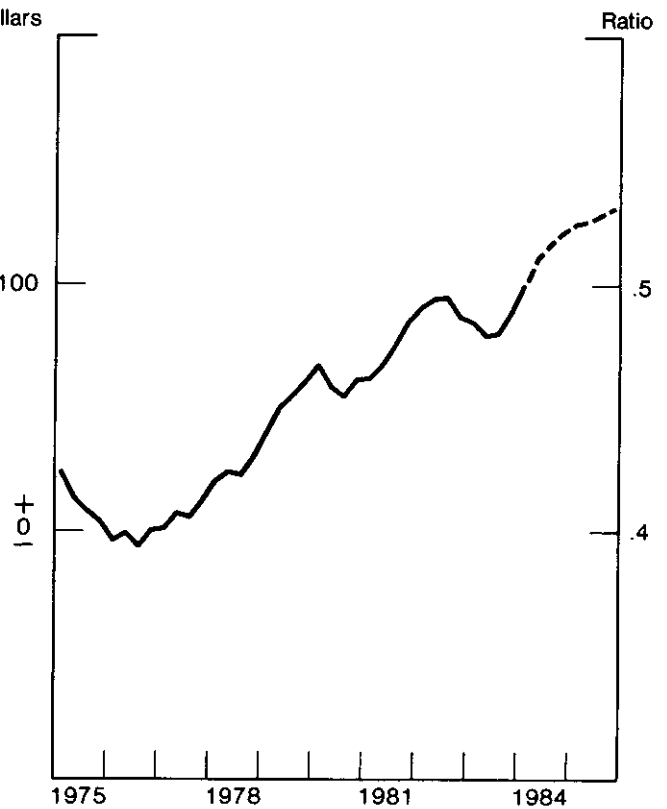
Financing Gap



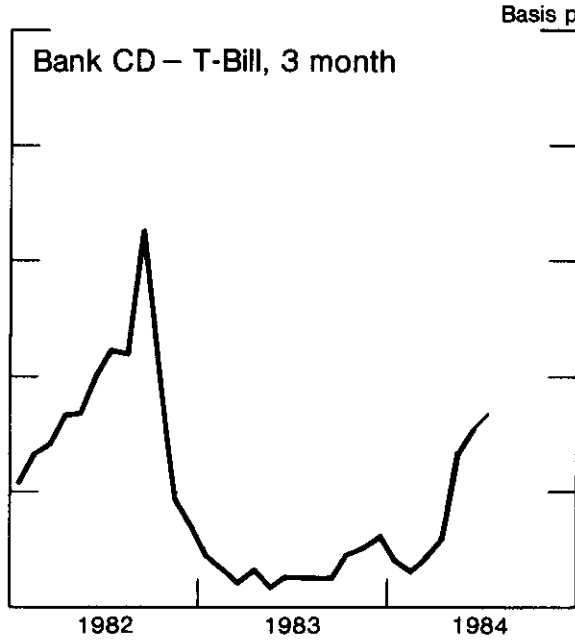
Funds Raised



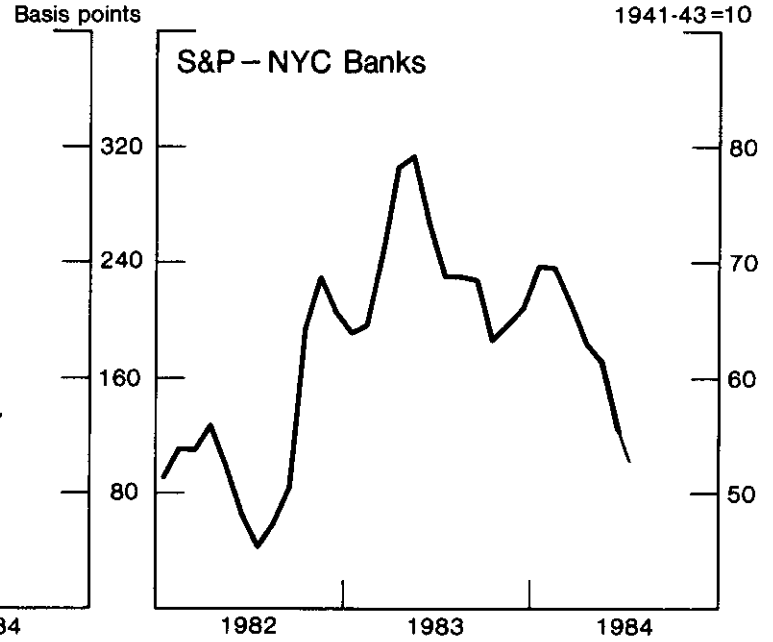
Ratio of Short-term to Total Debt



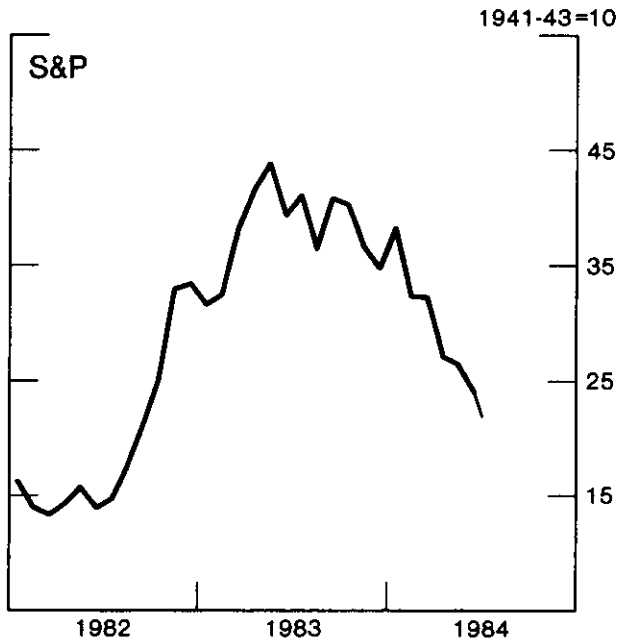
Rate Spread



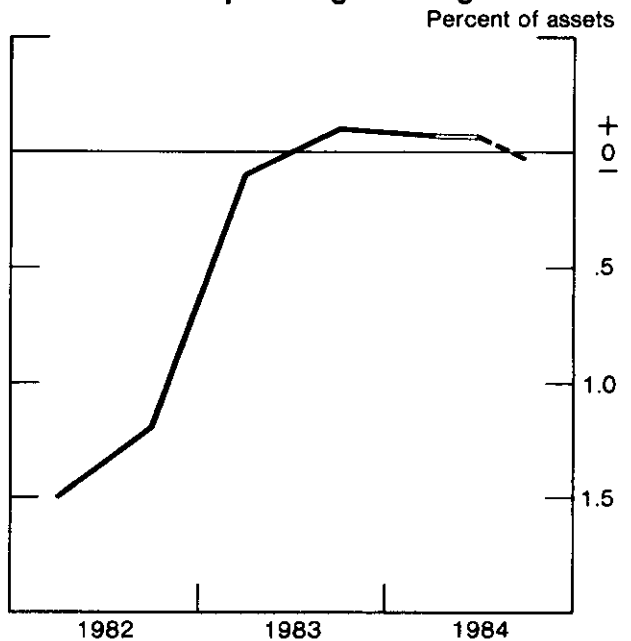
Bank Stock Index



S&L Stock Index



S&L Pre-tax Operating Earnings



Forecast Summary

Q4 to Q4

	Board Members		Presidents		Staff
Percent change, Q4 to Q4	Range	Median	Range	Median	
Nominal GNP					
1984	9¼ to 11	10	9 to 10¾	10¼	10½
1985	5¾ to 10	9	8½ to 10¾	8½	8
Real GNP					
1984	5¼ to 6½	6	5 to 6½	6	6¼
1985	½ to 4½	3½	2½ to 3½	3	2¾
GNP Deflator					
1984	3½ to 4¼	3¾	4 to 4½	4¼	3¾
1985	4 to 6¼	5½	5¼ to 7¼	6	5¼
Average level, Q4, percent					
Unemployment Rate					
1984	6½ to 7½	7	6¾ to 7½	7	6¾
1985	6¼ to 8	6½	6¼ to 7¼	6¾	6½

FOMC Projections for 1984

Reported to Congress Feb. 7, 1984

	Range	Central Tendency
Percent change, Q4 to Q4		
Nominal GNP	8 to 10½	9 to 10
Real GNP	3½ to 5	4 to 4¾
GNP Deflator	4 to 6	4½ to 5
Average level, Q4, percent		
Unemployment Rate	7¼ to 8	7½ to 7¾

Forecast Summary

Annual Averages

	Board Members		Presidents		Staff
Percent change, annual average	Range	Median	Range	Median	
Nominal GNP					
1984	10 to 11 ¼	10 ¾	10 to 11 ¼	10 ¾	11
1985	6 ½ to 10	9 ¼	8 ½ to 10 ½	9	8 ½
Real GNP					
1984	6 to 7	6 ¾	6 ½ to 7	6 ¾	7
1985	2 to 5	3 ¾	3 to 4	3 ½	3 ½
GNP Deflator					
1984	3 ½ to 4	3 ¾	3 ¾ to 4 ¼	3 ¾	3 ¾
1985	4 to 5 ¾	5	5 to 6 ½	5 ¼	4 ¾
Average level, percent					
Unemployment Rate					
1984	7 to 7 ½	7 ¼	7 ¼ to 7 ½	7 ¼	7 ¼
1985	6 ½ to 7 ¾	6 ½	6 ½ to 7 ¼	6 ¾	6 ½